Alberta Agriculture,

Food and Rural Development

Annual Report

2005 - 2006

Alberta

2007-00129

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PREFACE

Public Accounts 2005-2006

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

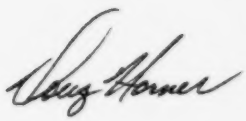
The annual report of the Government of Alberta released June 26, 2006, contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Agriculture, Food and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Agriculture, Food and Rural Development, regulated funds and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2006, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 7, 2006, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.



Doug Horner

Minister of Agriculture, Food and Rural Development

September 7, 2006

Message from the Minister

Our Ministry has been through a year easily characterized by reinvigoration. As our agriculture and agri-food industry firmly puts some major crises in its rear view mirror, we look forward to new opportunities.

We saw a number of challenges for our grains and oilseeds sector, including high input costs and lower commodity prices. In response, we developed a three-point plan, which includes implementing better business risk management tools, making use of new technologies and varieties as well as looking to new business, investment and marketing tools. As part of the plan, we began consulting with our industry partners to find long-term solutions to the difficulties facing the entire industry.

We made significant progress in implementing long-term policy solutions to promote sustainability and reduce producer risk while ensuring opportunities for growth in the marketplace. That is why we injected $166 million through the Canadian Agricultural Income Stabilization (CAIS) reference margin pilot program for the 2003-2005 claim years. While we recognize that CAIS is a national program, this was a welcomed opportunity to respond to producers when back-to-back disasters had limited the program's ability to respond.

We continued to support our beef industry, and we continued to make progress. Market conditions for export became more favourable, highlighted by the July 18 reopening of the U.S. border to live cattle under 30 months. In addition, we continued to work on our six-point BSE Recovery Strategy, investing more than $800 million to date in this initiative. This included funds earmarked for municipal infrastructure programs to accommodate new slaughter facilities, ongoing development of age verification initiatives and beef product development.

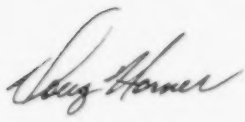
In the Legislature, we also took further steps toward a more effective and efficient livestock industry with the introduction of the *Livestock Identification and Commerce Act.* The new Act, which consolidates and revises three existing acts, facilitates fair commerce, increases the protection available for livestock buyers and promotes the integrity of marketing practices within the industry.

Alberta's efforts in animal disease detection and research received a substantial boost with the opening of the province's $14-million, state-of-the-art Level 3 Bio-containment Lab. The new facility puts Alberta on the cutting edge of animal disease detection and research.

As well as our other research initiatives, we have committed ourselves to exploring emerging options in bio-energy as part of a larger commitment to growth in Alberta's bio-economy. There is great promise for our producers, and we are very much in support of finding new and innovative options to help our producers add value to their commodities. We hosted Alberta's first-ever bio-gas conference, gathering invaluable information as we work towards a long-term strategy for the bio-energy industry.

Rural Alberta continued to be a major focus for our Ministry. In addition to the government's Rural Development Strategy that has framed our focus, we have kept the momentum going this year by following up with nearly 30 separate initiatives in business plans across government aimed at improving rural Alberta.

The Ministry's hard work on these initiatives and strategies has clearly made this year a success. My sincere thanks go out to Ministry staff, industry stakeholders and our vibrant communities for all their support and their willingness to take advantage of new opportunities and meet the challenges that come our way.



Doug Horner

Minister of Agriculture, Food and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture, Food and Rural Development includes:

- *Department of Agriculture, Food and Rural Development*
- *Agriculture Financial Services Corporation*
- *Alberta Grain Commission*
- *The Office of the Farmers' Advocate*
- *Irrigation Council*
- *Agricultural Products Marketing Council*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

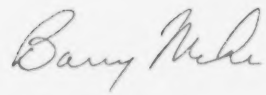
Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture, Food and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,

- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Agriculture, Food and Rural Development any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.



Barry Mehr

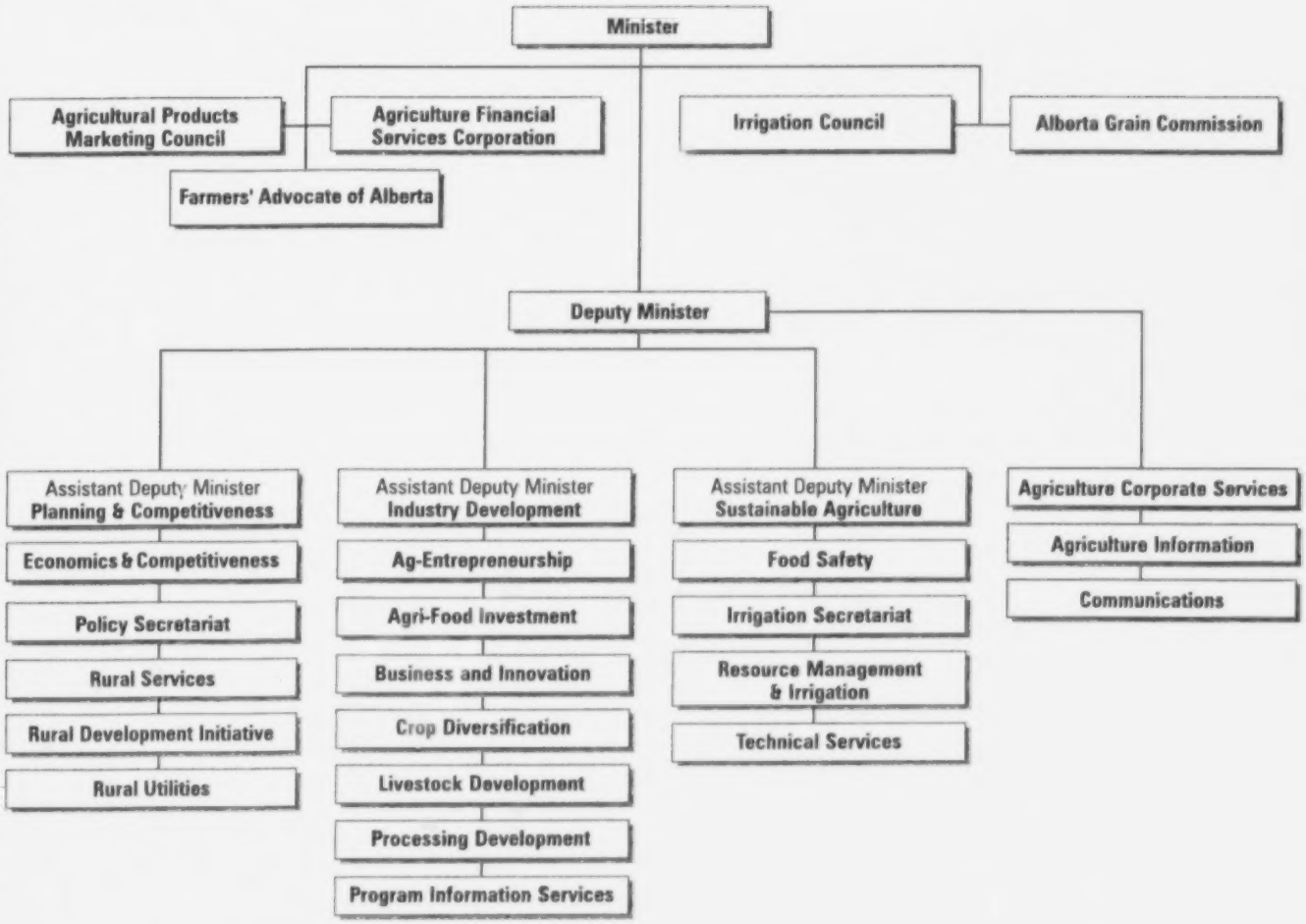
Deputy Minister
Ministry of Agriculture, Food and Rural Development

September 7, 2006

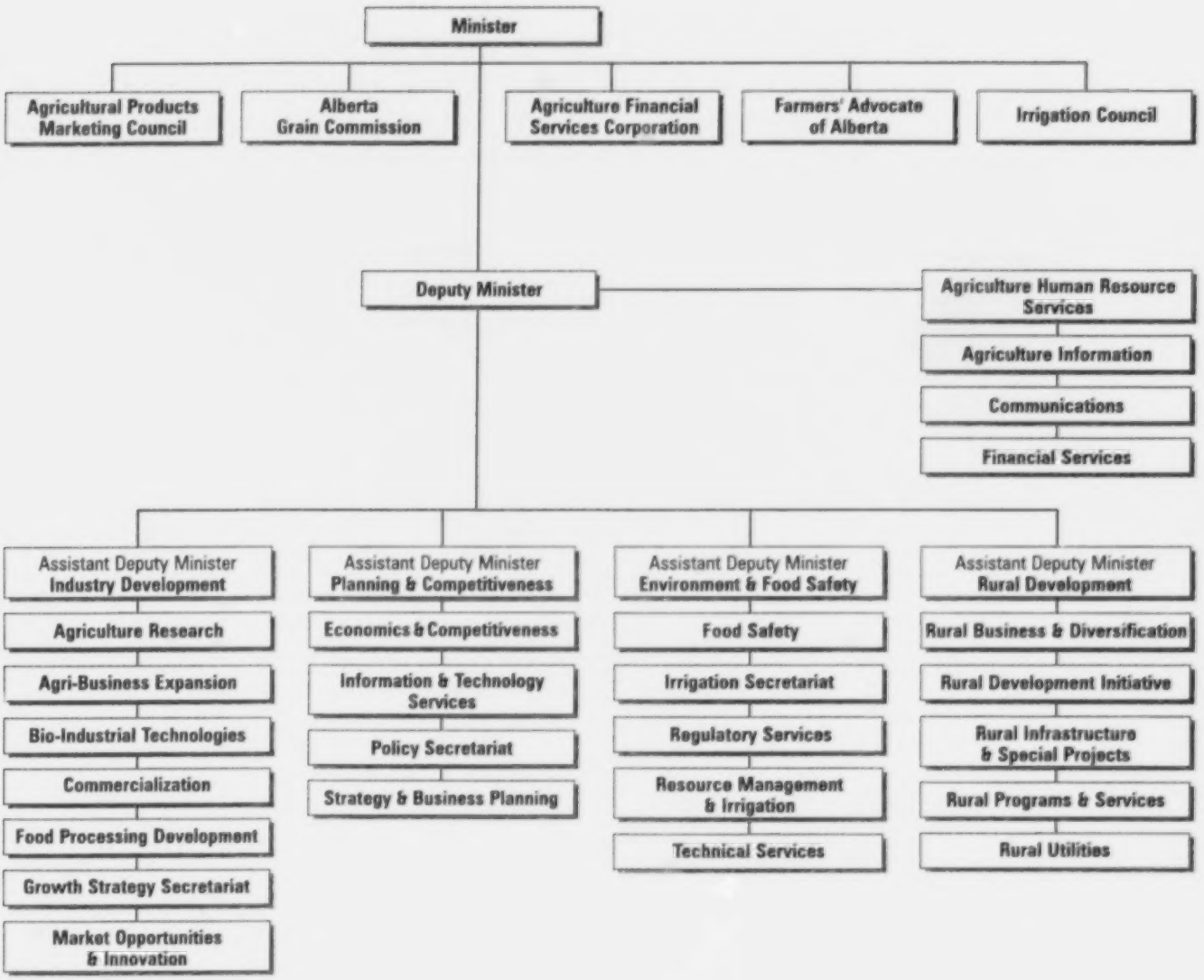
Overview

Charts of Ministry Entities

April 1, 2005



April 1, 2006


Minister
Agricultural Products Marketing Council
Alberta Grain Commission
Agriculture Financial Services Corporation
Farmers' Advocate of Alberta
Irrigation Council
Deputy Minister
Agriculture Human Resource Services
Agriculture Information
Communications
Financial Services
Assistant Deputy Minister Industry Development
Agriculture Research
Agri-Business Expansion
Bio-Industrial Technologies
Commercialization
Food Processing Development
Growth Strategy Secretariat
Market Opportunities & Innovation
Assistant Deputy Minister Planning & Competitiveness
Economics & Competitiveness
Information & Technology Services
Policy Secretariat
Strategy & Business Planning
Assistant Deputy Minister Environment & Food Safety
Food Safety
Irrigation Secretariat
Regulatory Services
Resource Management & Irrigation
Technical Services
Assistant Deputy Minister Rural Development
Rural Business & Diversification
Rural Development Initiative
Rural Infrastructure & Special Projects
Rural Programs & Services
Rural Utilities

Entities – Ministry of Agriculture, Food and Rural Development

Department

The Ministry is divided into the Department of Agriculture, Food and Rural Development and a number of agencies, boards and commissions. The Department is responsible for the management of programs designed to facilitate the development of all phases of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities.

During the 2005-06 fiscal year, the Ministry reorganized its internal structure to better serve clients and to focus on strategic priorities, such as rural development and industry growth. The organization charts provided on the previous pages show the Ministry structure prior to and following September 12, 2005. The following descriptions describe the Ministry entities after the changes occurred. For more information, visit the Ministry web site at **http://www.agric.gov.ab.ca**

Agriculture Human Resource Services

#300, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-4623

Human Resource Services is responsible for providing expert advice and consultation to senior management on key Department human resource issues and initiatives as well as aligning the Department's Three-Year Human Resource Plan with the Three-Year Corporate Human Resource Plan for the Alberta Public Service.

More specifically, Human Resource Services manages the Department's needs for pay and benefit administration, classification and recruitment as well as compensation administration and provides support and leadership on strategic initiatives.

Agriculture Information Division

#100A, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2727

Agriculture Information Division is responsible for the planning, development, organization and evaluation of information programs including publishing, multi-media, Call of the Land and executive communications. The Division also administers the Ministerial Action Request System (ARTS), Legislation, Regulatory Review, Ministerial Orders, Freedom of Information and Protection of Privacy and Records Management.

Communications Branch

#100A, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-7099

Communications Branch provides communications planning and consulting support to the Minister, Deputy Minister and Department. Develops and implements public communications programs that support the Department and the government through cross-ministry initiatives in meeting its business plan goals. Manages media relations, including the province-wide distribution of news releases and coordination of Department announcements and news conferences.

Financial Services

#307, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-5629

Financial Services provides strategic leadership in the areas of financial planning and analysis, accounting and reporting as well as financial accountability.

Environment and Food Safety Sector

Food Safety Division

#905, O.S. Longman Bldg. 6909 - 116 Street Edmonton, Alberta T6H 4P2 (780) 427-6159

Food Safety Division provides leadership and support for safe food production systems and global market access for Alberta's agriculture and food industry through information, services and administration of legislation.

Divisional responsibilities include partnership in food safety emergency response, support for development of on-farm production protocols, assistance with Hazard Analysis Critical Control Point program implementation for slaughter and food processing plants, food safety surveillance, animal health surveillance and provision of essential non-routine diagnostic services.

Irrigation Secretariat

#328, Provincial Bldg. 200 - 5th Avenue South Lethbridge, Alberta T1J 4L1 (403) 381-5176

Irrigation Secretariat provides administrative support to the Irrigation Council, administers the Irrigation Rehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Districts Act*.

Regulatory Services Division

Second Floor, Agronomy Centre, 6903 - 116 Street Edmonton, Alberta T6H 5Z2 (780) 422-7197

Regulatory Services Division is responsible for validating the safe production of meat and meat products through provincially licensed meat facilities, as well as ensuring compliance to assigned legislation, administering 14 statutes and 30 regulations. The division maintains and enhances public confidence by ensuring consistency and co-ordination through investigation and enforcement activities as required. The Director is also appointed by the Minister as Secretariat to the Livestock Identification Services (LIS) Ltd. Delegation Agreement and sits as an ex-officio member of the LIS Board of Directors.

Resource Management and Irrigation Division

#206, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-4596

Resource Management and Irrigation Division provides policy advice and oversees the planning, delivery and evaluation of irrigation management and development as well as environmentally sustainable agriculture programming.

Program areas include soil conservation, water and air quality, greenhouse gases and climate change, irrigation development and management as well as resource conservation. The division also manages the Alberta Environmentally Sustainable Agriculture program.

Technical Services Division

#306, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-5000

Technical Services Division directs and coordinates programs and policies to support the sustainable growth and development of the agriculture industry through the development of legislation and provision of technical expertise for the development of standards, science, information and tools for sustainable development of confined feeding operations and livestock welfare as well as quality farm water supplies for domestic and livestock use and the evaluation and adaptation of technologies and systems related to manure management, air and water quality, odor management, bio-energy and rural growth.

Program areas include livestock welfare, on-farm water management, manure management and environmental practices, bio-energy, energy efficiencies and technology evaluation related to sustainable livestock production.

Industry Development Sector

Agriculture Research Division

#204, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-5341

The Agriculture Research Division's (ARD) primary focus is on diversifying Alberta's crop and livestock economy through the development of value-added opportunities in functional foods, bio-industrials, new foods and livestock products. The division is also focused on proactive initiatives aimed at preventing losses through integrated pest management.

ARD provides research expertise and industry knowledge through multi-disciplinary project teams focused on specific industry growth initiatives. With its partners, the division supports primary agriculture to enable the growth of further processing industries in the manufacturing of plant and animal-based feed, food and industrial products.

Agri-Business Expansion Division

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-3166

Agri-Business Expansion Division supports the sustainable growth and diversification of Alberta's agri-processing industry. The division works with existing businesses to facilitate expansion and attract new investment to Alberta. Division staff provide technical expertise, market information, business development advice and the identification of expansion or investment opportunities. Information and services (related to feasibility studies), joint venture/alliance partners, sources of capital, site location assistance and infrastructure development are provided to facilitate business projects. Critical issues that constrain growth and impact investment decisions such as access to labour are identified and solutions are sought.

Bio-Industrial Technologies Division

5712 - 48 Avenue Camrose, Alberta T4V 0K1 (780) 679-5172

Bio-Industrial Technologies Division was created to support industry in taking advantage of agricultural opportunities for non-food industrial products. The division supports the technical development of advanced materials and composite products incorporating refined agricultural fibers as well as improving the functionality of existing synthetic fiber though new process engineering, extraction and refining of agricultural fiber sources. In partnership with industry, division staff are working to establish a bio-refining suite of both chemical and biological process capacity. Staff and partners are working to build the skill set to refine, extract and fraction cereal and lipid-based crops into fine chemical constituents and industrial ingredients for the manufacture of polymers, resins, cosmetics and fuels.

Commercialization Division

Provincial Bldg. 4709 - 44 Avenue Stony Plain, Alberta T7Z 1N4 (780) 968-3557

Commercialization Division works with agri-business and industry to improve the success rate of commercialization initiatives. The division works with individual companies and with industry groups to provide technical expertise and coaching in areas of marketing, business finance, human resources, value chains, taxation, investment vehicles and lean manufacturing. The division provides support to researchers in linking their research results to business opportunities.

The division provides technical expertise to companies working within the Agrivalue Business Incubator. The division also manages the Canada-Alberta Collateral Agreement under the Renewal Chapter of the Agricultural Policy Framework and the Agriculture Opportunity Fund.

Food Processing Development Division

6309 - 45 Street Leduc, Alberta T9E 7C5 (780) 986-4793

Food Processing Development Division focuses on the value-added processing of agriculture commodities through laboratory development, applied research and pilot plant scale-up to develop new products, introduce new technologies and improve existing processes. The work is done through four units: the Food Processing Development Centre, the Food Science and Technology Centre, the Consumer Products Testing Centre and the new Agrivalue Processing Business Incubator.

The Food Processing Development Division has a strong focus on the development of new companies and the attraction of new food processors to Alberta. This capability will be markedly enhanced with the completion of the Agrivalue Processing Business Incubator in July 2006.

Growth Strategy Secretariat

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 644-2405

Growth Strategy Secretariat manages the Agriculture Growth Strategy and tracks the progress toward the goal of attaining $20 billion in value-added processing and $10 billion in primary production by 2010. The secretariat leads the Industry Development Sector's planning, management, monitoring and reporting processes. The secretariat consists of three areas: Growth Strategy management and administration, leadership and organizational development and Growth Strategy Theme strategic leadership.

Market Opportunities and Innovation Division

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (403) 556-4321

Market Opportunities and Innovation Division promotes the growth and prosperity of Alberta's agriculture, bio-industrial and agri-food industries through the identification of new opportunities and support for innovation. The division ensures the industry sector has access to expertise in opportunity identification and opportunity assessment processes through full-time staff and contracted experts. The division provides themes and other divisions with support required to make project and program choices that provide excellent potential for growth. This division focuses projects toward their unique comparative or competitive advantage for Alberta. The division also focuses significant effort on ensuring projects incorporate commercialization plans.

Planning and Competitiveness Sector

Economics and Competitiveness Division

#303, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-3771

Economics and Competitiveness Division provides economic data and analysis expertise to assist the Alberta industry to optimize opportunities in agri-food products and services. Functions include applied economic and competitiveness analysis, benchmarking/forecasting as well as analysis of international markets, consumer behavior and emerging industry trends. Building upon economic and market research, the division formulates strategies and assesses economic impacts for agriculture and food issues.

In partnership with other divisions, the division is responsible for advocating for Alberta's agriculture and agri-food industry as well as leading and coordinating international relations efforts at key forums, conferences and discussions with priority international partners.

Information Technology Services Division

#203, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2101

Information Technology Services Division assists the Ministry in identifying, implementing and utilizing services and technology solutions to achieve business goals. The division provides effective support services to the Department in the area of electronic data processing development, maintenance and use. Information Technology Services Division also provides expertise to evaluate, recommend and purchase data processing hardware and software for the Department.

Policy Secretariat

#300, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-2070

Policy Secretariat provides advice and recommendations and undertakes corporate projects to improve the policy and planning decisions of the Ministry. The secretariat examines domestic, national and international policies with the potential to affect the agriculture and agri-food industry and makes recommendations on how the Ministry should respond to these challenges. The secretariat currently concentrates on emerging issues in trade, innovation/biotechnology, research, environment, land use planning and domestic policy.

Strategy and Business Planning Division

#200, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-9167

Strategy and Business Planning Division is responsible for providing strategic corporate services to the Ministry, including developing and implementing effective processes for strategic planning, business planning and annual reporting for the Ministry. Division staff also provide advice, coaching and facilitation for operational and individual work planning. Other strategic services provided by the division include coaching and training to support project management and the development of processes, tools and techniques to improve knowledge management within the Ministry.

Division staff are also responsible for program policy development, program evaluation and negotiating and managing federal funding requirements under the Agricultural Policy Framework, as well as managing Alberta's obligations under specific federal/provincial bilateral companion agreements. The division delivers several farm income assistance programs, including the Canada-Alberta Farm Water Program and payments under the Canada-Alberta BSE Surveillance Program. The division jointly delivers assistance under the Alberta Farm Fuel Benefit Program with the Agriculture Financial Services Corporation as well as delivery of the agriculture component of disaster recovery programs.

Rural Development Sector

Rural Business and Diversification Branch

Second Floor, Provincial Bldg. 6203 - 49 Street Barrhead, Alberta T7N 1A4 (780) 674-8305

Rural Business and Diversification Branch works in partnership with and provides leadership for industry and other Ministry staff to provide agri-entrepreneurial education opportunities to the agriculture and food industry, to identify and channel resources needed to jump-start emerging industries, to assist with the growth and development of agri-entrepreneurial enterprises, as well as facilitating the development of new products, services, markets and technologies. Branch staff also ensure access to technical assistance for entrepreneurs and provide expertise and leadership to initiative teams, such as Agri-tourism, Regional Cuisine and Farm Direct Marketing. Staff also work with industry where appropriate to help make these opportunities become self-sufficient initiatives.

Rural Development Initiative

#200, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2049

The Rural Development Initiative (RDI) oversees the implementation of the Rural Development Strategy and provides support to cross-government efforts related to rural development. RDI staff provide input and liaison in partnership with the federal government to establish a national framework on rural development. The RDI also partners with individuals and groups that have an interest in rural development, sharing information and expertise to facilitate rural networks and the achievement of outcomes outlined in the strategy.

Rural Infrastructure and Special Projects Division

#304, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2049

Rural Infrastructure and Special Projects administers funding support to municipalities under the Municipal Industrial Wastewater Infrastructure Program for water/wastewater services necessary to accommodate agricultural processing projects in communities. In addition, the Industrial and Environmental Infrastructure Assistance for Beef Processing Program is administered to provide one-time funding for municipalities and processors to develop unique environmental and other infrastructure related to new beef slaughter/processing capacity. Division staff also work with rural partners to advance other community initiatives and projects.

Rural Programs and Services Division

#300 J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 422-6166

Rural Programs and Services Division promotes community-based rural development by directing and supporting rural organizations and services such as agricultural service boards, agricultural societies, agricultural development committees, 4-H clubs and councils and recommends policy in rural development. The division is also responsible for coordinating and delivering educational, leadership and training programs such as 4-H, Green Certificate, employment experience programs, home study, agriculture in the classroom and farm safety, in partnership with communities and agriculture organizations.

Division staff also provide the first point of contact for the public to departmental personnel, services and programs and often to industry partners through the Ag-Info Centre's toll-free number (310-FARM) and through administrative assistants in hub offices. Resource Agents are the first point of contact for the Centre and provide project support and manage information for the Ministry, ensuring information is readily accessible to Alberta's agriculture and food industry, and the world, in collaboration with the Ropin' the Web Internet site at www.agric.gov.ab.ca

Rural Utilities Division

#200, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-0125

Rural Utilities Division administers the Rural Gas, Rural Electric and the Remote Area Heating Allowance (RAHA) program areas. The Rural Gas and Rural Electric programs are cost-sharing programs that help defray the high cost of constructing natural gas and electrical systems in rural areas. The RAHA program provides rebates on the cost of propane or fuel oil for individuals who are unable to obtain natural gas service at a reasonable cost.

The Division also administers the *Rural Utilities Act*, which provides the framework for the establishment and management of business affairs for approximately 280 rural gas, electric and water associations in the province. In addition, the Division also administers the *Gas Distribution Act*, which governs the issuing of franchise areas and the setting of all standards relating to the design, construction, operation, maintenance, quality assurance and plant records for rural gas utilities.

Agencies, Boards and Commissions

Agriculture Financial Services Corporation (AFSC)

Lacombe Central Office 5718 - 56 Avenue Lacombe, Alberta T4L 1B1 (403) 782-8200

Camrose Central Office 4910 - 52 Street Camrose, Alberta T4V 4E8 (780) 679-1311

AFSC provides a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta. It offers unique financial products and services not readily available from conventional sources to the industry.

AFSC provides insurance products to mitigate risks related to crop production, including hay and pasture; offers waterfowl and wildlife damage compensation, to help Alberta farmers protect against production losses on their farms; delivers the Canadian Agricultural Income Stabilization (CAIS) Program, a whole-farm program that provides compensation for decline in farm margin relative to historical margin for eligible producers regardless of the commodities they produce and offers agriculture financial services such as farm loans and guarantees for new and expanding farm businesses as well as financing for those facing disastrous reductions in farm production or income. AFSC also provides and facilitates sourcing of financing for companies in the agri-food and value-added industry, as well as the small business sector with an emphasis on rural Alberta.

AFSC produces a separate annual report.

Agricultural Products Marketing Council

#305, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-0364

Agricultural Products Marketing Council advises the Minister on matters related to the establishment, operation and control of the boards and commissions established under the *Marketing of Agricultural Products Act*. Provides assistance and advice to boards and commissions on board governance, leadership development, strategic and business planning. Council facilitates industry-oriented development through enabling legislation and encourages support to research and value-added opportunities and enhanced value chain relationships.

Alberta Grain Commission

#305, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-7329

Alberta Grain Commission advises and makes policy recommendations to the Minister on current and emerging issues and trends in the grain industry via its on-going review of all facets of the grains industry. Provides a daily grain price information service.

Irrigation Council

#328, Provincial Bldg. 200 - 5 Avenue South Lethbridge, Alberta T1J 4L1 (403) 381-5176

Irrigation Council was established under the *Irrigation Districts Act*. Makes recommendations to the Minister on any matter under the Act, particularly on issues related to maintaining a strong, efficient and sustainable irrigation industry. Acts as an appeal body in accordance with the Act. Approves expenditures of provincial cost-shared funds to ensure accountability of the public's ongoing investment in irrigation district water conveyance infrastructure.

Farmers' Advocate Office of Alberta

#305, J.G. O'Donoghue Bldg. 7000 - 113 Street Edmonton, Alberta T6H 5T6 (780) 427-2433

Farmers' Advocate Office (FAO) provides the Minister with information on issues concerning rural Albertans. The FAO works closely with agricultural interest groups, Alberta Environment, Alberta Energy, Sustainable Resource Development and other levels of government to formulate policy recommendations and procedures that affect the rural community; works with surface rights groups and landowners on surface lease and freehold mineral lease issues and provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that impact rural Albertans. FAO is also responsible for the contract for the AFSC Hail and Crop and Lending Agricultural Development Committee reviews.

The FAO is responsible for administering the *Farm Implement Act, Farm Implement Dealerships Act,* Water Well Restoration or Replacement Program, Wild Fire Cost Assessment Review and Part 1 of the *Agricultural Operation Practices Act.*

Operational Overview

Ministry's Core Businesses

The Ministry contributes to three of the government's four key opportunities: Unleashing Innovation, Competing in a Global Marketplace and Making Alberta the Best Place to Live, Work and Visit. The primary focus of Alberta Agriculture, Food and Rural Development is on Government of Alberta Goal 1, Alberta will have a diversified and prosperous economy, under the key opportunity of Unleashing Innovation. The Ministry achieves this by working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry.

Ministry Core Businesses

- Facilitate sustainable industry growth
- Enhance rural sustainability
- Strengthen business risk management

Each of the six Ministry goals contributes to the achievement of these core businesses. The results constitute the role of Alberta Agriculture, Food and Rural Development in contributing to the Government of Alberta's core performance measures. The Results Analysis section of this annual report presents a comprehensive discussion of the Ministry goals, the contributions to the cross-ministry initiatives, performance measures and results of operations for the fiscal year 2005-06.

Costs for Core Business

(unaudited)

(thousands of dollars)

Core businesses	2005-06 Estimates	2005-06 Actual	2004-05 Actual
Facilitate sustainable industry growth	$ 223,416	$ 246,911	$ 291,970
Enhance rural sustainability	51,895	52,128	45,012
Strengthen business risk management	929,011	805,762	999,102
Ministry expense	**$1,204,322**	**$1,104,801**	**$1,336,084**

Highlights of changes in the Ministry's spending are as follows:

Facilitate sustainable industry growth – expenses increased by $23.5 million over budget primarily due to additional funding to support ongoing research in the development, production and marketing of value-added products, beef product and market development as well as partnership support. Expenses were $45.1 million lower than 2004-05 as a result of even greater funding in 2004-05 for market retention and development, pre-commercialization efforts for specified risk materials and value-added initiatives.

Enhance rural sustainability – expenses were $7.1 million higher than 2004-05 primarily resulting from a budgeted increase in lottery funding for the Agricultural Service Boards grant program.

Strengthen business risk management – expenses decreased by $123.2 million over budget primarily due to early completion of the BSE Canada-Alberta Fed Cattle Set-Aside Program resulting from the U.S. border reopening to live beef exports in 2005. Expenses decreased by $193.3 million from 2004-05 because of the reduced BSE-related Set-Aside payments, as well as reduced indemnity payments for production and hail insurance and the terminated Farm Income Disaster Program.

Expense by Function

All Ministry expenses, with the exception of debt servicing costs, are reported under the Government of Alberta function: Agriculture, Resource Management and Economic Development.

Overall Ministry Operations and Services

Here are the overall Ministry budget and actual operating results for all Ministry entities:

(unaudited)

(millions of dollars)

	2005-06 Budget	2005-06 Actual	2004-05 Actual
Revenues	$ 632	$ 576	$ 793
Expenses	1,204	1,105	1,336
Excess of expenses over revenues	**$ 572**	**$ 529**	**$ 543**

AUDITOR GENERAL *Alberta*

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE MEASURES

To the Members of the Legislative Assembly

Management is responsible for the integrity and objectivity of the performance results included in the *Ministry of Agriculture, Food and Rural Development's 2005-2006 Annual Report*. My responsibility is to carry out the following specified auditing procedures on performance measures in the annual report. I verified:

Completeness

1. Performance measures and targets matched those included in Budget 2005. Actual results are presented for all performance measures (see exception below).

Reliability

2. Information in reports from external organizations, such as Statistics Canada, matched information that the Ministry used to calculate the actual results.
3. Information in reports that originated in the Ministry matched information that the Ministry used to calculate the actual results. In addition, I tested the processes the Ministry used to compile the results.

Comparability and Understandability

4. Actual results are presented clearly and consistently with the stated methodology and are presented on the same basis as targets and prior years' information.

I found the following exceptions:

- There was no data reported for the measure *Per cent of Alberta Production Produced under On-Farm Food Safety Programs: Beef Feedlots*; therefore, I was not able to complete procedures one to four above. Management explains in the Results Analysis under Goal 2 why data was not reported.
- I found errors arising from inconsistencies in the processes to compile research and development investment data for the measure *Research and Development (R&D) Investment by Collaborators Leveraged through Ministry Resources*. Therefore, I was not able to conclude that the results presented were reliable and comparable (procedures three and four).

As my examination was limited to these procedures, I do not express an opinion on whether the set of measures is relevant and sufficient to assess the performance of the Ministry in achieving its goals.

FCA
Auditor General

Edmonton, Alberta
August 31, 2006

Results Analysis

Results of Operations

The Ministry's financial results show consolidated revenues of $575.9 million in 2005-06, which is a $218 million decrease in revenues from 2004-05 and $56.4 million lower than budget. Consolidated expenses were $1,104.8 million. This figure is $231.3 million lower than in 2004-05 and $99.5 million lower than budget. The net operating deficit was an excess of expenses over revenues of $528.9 million, which is $14.5 million lower than in 2004-05 and $43.1 million lower than budget.

Revenues

Revenues decreased by 27.5 per cent from the previous year. They were down $218 million and, as noted above, were $56.4 million lower than budget.

Revenue was lower than budget mainly because of reduced federal contributions for the Canada-Alberta Fed Cattle Set-Aside Program and revenue reductions for the Canadian Farm Income Program offset and production insurance. These reductions were partially offset by unbudgeted revaluations of prior year liabilities for disaster programs.

Revenue picture highlights include the following:

- Transfers from the government of Canada increased from budget by $55.5 million, resulting primarily from reduced federal contributions for the Canada-Alberta Fed Cattle Set-Aside Program and the Canadian Farm Income Program offset.
- Fees, permits, licenses and other income was $19.9 million higher than budget relating to an accounting adjustment to revalue prior year liabilities for disaster programs and the recovery of prior year grant overpayments. A similar accounting adjustment in 2004-05 was $43.5 million.
- Premiums from insured persons were $17 million lower than budget due to lower participation in production insurance. Premium revenues were $5.6 million higher than 2004-05 receipts resulting from higher hail insurance participation, reintroducing Satellite Imagery and Moisture Deficiency programs and an increase in Spring Price Endorsement participation due to low crop prices and higher funding from the Province.
- Internal government transfers were $5.6 million higher than 2004-05 resulting from a budgeted increase in lottery funding for the Agricultural Service Boards grant program.
- Reinsurance recoveries were $2.2 million lower than 2004-05. The 2004-05 recoveries were attributed to the hail insurance program.
- Interest and investment income was $3.7 million lower than budget and $2 million higher than 2004-05.

Expenses Compared to Budget

Expenses were $73.5 million lower than budget primarily as a result of lower production insurance indemnities and reduced funding for BSE recovery. These reductions were partially offset by retroactive changes to the Canadian Agricultural Income Stabilization (CAIS) program resulting in increased provincial costs.

- Farm Income Support payments were $157.3 million over budget. Program payments for the CAIS program were significantly higher than budget as a result of retroactive changes to the program resulting in increased benefits for the 2003, 2004 and 2005 claim years.
- Insurance expenses were $162.7 million lower than budget. Favourable crop conditions throughout the province resulted in lower production insurance indemnity payments from budget, which is based on 20-year historical averages.
- BSE Recovery Program expenditures were only $18.9 million, compared to a budget of $133.2 million. Early completion of the BSE Canada-Alberta Fed Cattle Set-Aside Program due to the U.S. border reopening to live beef exports accounts for the significant reduction.
- Industry Development expenses exceeded budget by $36.6 million. Additional funding provided support for ongoing research into the development, production and marketing of value-added products, beef product and market development as well as partnership support.
- Planning and Competitiveness expenses were $2.1 million lower than budget primarily resulting from lower than anticipated activity for rural utility services.
- Lending expenses were $5.8 million lower than budgeted due to lower administration costs.
- Infrastructure assistance expenditures were $2.4 million higher than budget as a result of in-year approval for industrial and environmental infrastructure assistance for beef processing.
- Debt servicing costs were $8.4 million lower than budget resulting from reduced borrowing and lower than budgeted interest rates.
- Valuation adjustments were $4.6 million lower than budget resulting from better than expected results in lending portfolios.

Expenses Compared to 2004-05

Expenses were down $231.3 million from last year. Spending highlights for 2005-06 compared to 2004-05 are as follows:

- Farm Income Support payments were $37.9 million lower than in 2004-05 primarily resulting from the reduced payments from the terminated Farm Income Disaster Program.
- Insurance expenses were $29.9 million lower than those in 2004-05 due to reduced indemnity payments for production and hail insurance as well as wildlife damage compensation.
- BSE Recovery Program expenditures continued in 2005-06, but were $128.4 million lower than the prior year. The BSE Fed Cattle Set-Aside Program was completed in July 2005 due to the U.S. border reopening to live beef exports.
- Industry Development expenses were $52.4 million lower than 2004-05. Additional funding was provided in 2004-05 for market retention and development, pre-commercialization efforts for Specified Risk Materials (SRMs) and value-added initiatives.
- Sustainable Agriculture expenses were $10.2 million higher than the prior year due to the increased funding for the Canada-Alberta BSE Surveillance Program, age verification, partnership support and general increases in food safety spending.
- Expenses for Planning and Competitiveness were $7.1 million higher than 2004-05 primarily resulting from increased funding for Agricultural Service Boards and increased Farm Water Program expenditures.

- Farm Fuel Distribution expenditures were $1.7 million higher than in 2004-05.
- Lending expenses were $3 million lower than in 2004-05 due to lower administration costs.
- Infrastructure Assistance program expenses were $5.6 million higher than the previous year due to additional funding for irrigation infrastructure assistance and industrial and environmental infrastructure assistance for beef processing.
- Valuation adjustments were $6 million lower than the prior year due to better than expected results in lending portfolios.

Performance Measures Summary

For more information regarding performance measures, please refer to the follow sections, Core Businesses, Goals and Measures and Performance Measures Methodology.

Performance measures continue to be refined as programs evolve. Measures are more specific and focused on areas where the Ministry has the opportunity to influence outcome.

Targets for the performance measures were established based on research at the time the business plan was written. Forecasts for the fiscal year 2005-06 have been included. Summary tables, including the targets, forecasts for the fiscal year and the results, are included later in this document.

Core Business One: Facilitate Sustainable Industry Growth

Goal 1: Sustainable Growth of the Agriculture and Food Industry

The Ministry contributes to this goal by encouraging new and diversified product development and investment (primary and value-added food and non-food products) and facilitating long-term sustainable growth in established sectors.

The performance measures for this goal were designed to measure areas where the Ministry has some influence over growth of the industry.

Forecasted performance was achieved or exceeded for the following measures:

1b Research and development investment by collaborators leveraged through Ministry resources.

1c Investment supported by AFSC lending services.

Forecasted performance was not achieved for the following measure:

1a Number of value-added products developed and successfully introduced to market with assistance from the Ministry[1].

[1] The 2005-06 target and result numbers for this measure differ significantly because the measure was restated in the 2005-08 Business Plan. This change was made to better reflect the intended meaning of this measure, which focuses on development and commercialization of new value-added products. The measure and targets, as previously stated, included work done on products already on the market.

Goal 2: Continued Excellence in Food Safety

The Ministry contributes to this goal by promoting implementation of food safety process control systems throughout the food production continuum, through development and administration of essential food safety legislation, regulations and policy and through food safety surveillance systems that ensure consumer confidence and market access.

The measures for this goal recognize the importance of monitoring the adoption and implementation of food safety process control systems for, and in partnership with, the agriculture and food industry.

Forecasted performance was achieved or exceeded for the following measures:

2a Number of surveillance programs that identify hazards in food production.

2b Per cent of Alberta production produced under on-farm food safety programs.

- chicken farms

Forecasted performance was not achieved for the following measure:

2b Per cent of Alberta production produced under on-farm food safety programs.

- hog farms[1]
- beef feedlots[2]

2c Per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system.

- meat[3]
- dairy[4]

[1] The market demand requires that the producer be following a provincially recognized on-farm food safety (OFFS) system in order to supply product to the processor (abattoir). Producers have been implementing since 1995, and some producers are on their second audit cycle. The results reported represent 100 per cent of the production sold for commercial processing.

[2] Production figures for Alberta beef feedlots under OFFS are not kept by the Alberta Beef Quality Starts Here (ABQSH) program or any other known source. Therefore, the Ministry is unable to report a result for this measure.

[3] This performance measure can be achieved by a meat processing facility implementing either the Meat Facilities Standard II (MFSII) or the Alberta HACCP Advantage (AHA) program; HACCP means Hazard Analysis Critical Control Point. The AHA program is underway and accepting applications. However, AHA is a strictly voluntary program, which will wrap up March 31, 2008. Progress has been made toward implementation of the MFSII. However, the MFSII is still in the public consultation phase and is expected to come into effect by December 31, 2007. Once the new standard comes into effect, compliance will be mandatory, and the performance measure will be met.

[4] There is no legal requirement for dairy processors to implement these programs. All are strictly voluntary. Encouragement is provided. Processors wishing to implement these pre-requisites are eligible for Food Safety Initiative funding under Alberta Agriculture, Food and Rural Development's (AAFRD) AHA program.

A timeline for the implementation of three HACCP pre-requisite programs has been created for Alberta dairy producers by AAFRD as follows:

2006-07: Recall Program

2007-08: Allergen Program

2008-09: Sanitation and Pest Control Program

Core Business Two: Enhance Rural Sustainability

Goal 3: Improved Environmental Stewardship

The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity.

The measures for this goal target outcomes and outputs related to the Ministry's work in providing information, training and support to industry related to environmentally sustainable agriculture practices.

Forecasted performance was achieved or exceeded for the following measure:

3a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be completed in 2006-07).

3b Number of producers provided with training and technical support to enable the development of environmental farm plans

Goal 4: Strengthened Rural Communities

The Ministry contributes to this goal by working to strengthen rural communities through involvement in facilitation, leadership development and infrastructure development.

The measures for this goal target areas that contribute to strong rural communities and the Ministry's ability to impact the viability of those communities.

Forecasted performance was achieved or exceeded for the following measures:

4b Total investment leveraged in rural businesses facilitated through AFSC lending services.

4c Percentage of Ministry supported, agricultural-related community activities that focus on leadership development.

4d Percentage of rural youth participating in Ministry supported programs that report effective learning from those programs.

Forecasted performance was not achieved for the following measure:

4a Number of rural businesses assisted by AFSC lending services[1].

[1] Numbers of businesses assisted was lower than targeted because projects authorized were larger than anticipated. Larger projects take more resources (both human and capital) resulting in fewer projects being undertaken.

Core Business Three: Strengthen Business Risk Management

Goal 5: Effective Risk Management Decisions by Agricultural Business Managers

The Ministry contributes to this goal by working cooperatively with service providers to target business management training and information dissemination, allowing managers to adopt the most economical and effective management practices to sustain their business.

The measure for this goal tracks the use of risk management tools, for which the Ministry and partners are providing training and information, by agricultural business managers.

Forecasted performance was not achieved for the following measure:

5a Percentage of managers surveyed indicating the use of risk management tools for improved decision making[1].

[1] The target established for this measure was ambitious and based on information available at that time related to risk management. The 2006 Risk Management Survey has established a much stronger benchmark for this measure, and future targets will be adjusted accordingly.

Goal 6: Effective Support Programs for Industry Stability

The Ministry contributes to this goal by providing appropriate support through programs such as the Canadian Agricultural Income Stabilization Program (CAIS), crop insurance, drought preparedness and disaster recovery initiatives.

The measures for this goal are intended to report on the effectiveness of business risk management programming. Some of the measures have been modified to help assess the effectiveness of the business risk management programs when disastrous events occur in the agriculture industry.

Forecasted performance was achieved or exceeded for the following measures:

6a Percentage of seeded acres for major crop categories insured under production insurance:

- annual crops

Forecasted performance was not achieved for the following measure:

6a Percentage of seeded acres for major crop categories insured under production insurance:

- perennial crops[1]

6b The per cent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program[2].

[1] Results for lower participation on perennial crops may be due to excellent fall moisture conditions experienced in 2004 and good carryover of feed supplies from 2004.

[2] The result is lower than target primarily due to revisions made to the methodology for this measure. Inte farm sales have now been included in the denominator to make Alberta farm cash receipts comparable to farm cash receipts covered by Alberta participants in the CAIS Program.

Future Challenges

The Ministry's measures are intended to show the effects the Ministry has on the three core business areas. However, the goals and measures are also impacted by inherent challenges. It is, therefore, vital for the Ministry to continually assess, anticipate, evaluate and plan to respond to future challenges. The measures the Ministry uses to track progress towards its goals will also need to be refined accordingly.

Major Influences on Alberta's agriculture and food industries:

Weather

Weather is one of the major sources of risk and uncertainty in agricultural production. A look at data from the crop insurance program payments can illustrate the kind of impact weather may have on agriculture. For example, the year 2002 saw the most widespread and severe drought Alberta has experienced in recorded history. Insurance payments for crops exceeded $800 million. Cattle producers were forced to reduce their herds because of feed shortages. The Ministry and the industry need to constantly assess, anticipate and plan to meet the ongoing challenges weather poses.

Global Trade

Alberta's agriculture and food industry derives a substantial portion of its annual revenue from global trade. International trade, however, is affected by a host of factors, some of which are not entirely under the industry's control. Chief among these are the global demand and supply for food products and national farm policies that interfere with trade. Maintaining and expanding market access and constantly improving the capacity to produce and deliver products to global customers at competitive prices present challenges and opportunities for the future.

Increasing market access is a two-way street because it also opens opportunities for other countries and increases competition for Alberta products. In particular, Alberta's industry faces stiff competition from such relatively low cost producers as Brazil, Russia, India and China.

Competitors from emerging countries are also likely to face less evolved regulatory requirements, particularly for environmental protection and working conditions, thus gaining advantages in the global marketplace. However, as labour, land and other input costs rise around the globe, it is possible that the cost advantages in these countries may disappear.

Alberta views trade liberalization under the auspices of the World Trade Organization (WTO) as the best approach for improving global market access for Alberta's farm products. Achieving and taking advantage of this goal remain both a challenge and an opportunity for Alberta.

Currency and Interest Rate Impacts

The appreciation of the Canadian dollar relative to the U.S. dollar negatively impacts the prices or revenues received for Alberta exports. A stronger Canadian dollar, on the other hand, makes inputs imported from the U.S. cheaper for Alberta producers. This, for example, may apply to machinery, equipment, agricultural chemicals and feeds imported from U.S. manufacturers. However, given the greater magnitude of Alberta's annual agri-food exports to the U.S. relative to its imports of inputs from that country, the appreciation of the Canadian dollar will pose challenges for the industry. In the long run, however, the appreciation of the Canadian dollar may encourage or induce improved productivity and efficiency to remain profitable.

Interest rates can also have a significant impact on agriculture and agri-food businesses. Many producers use operating loans to ensure regular cash flow to their business; similarly, food processors will use loans to finance new investments and capital expenditures. Higher interest rates can have a dampening effect on investment and significantly increase the cost of servicing operating loans.

Evolving Consumer Demands

Consumer tastes, preferences and incomes are continually changing. The shift now underway in North American consumer demographics (i.e., aging population and increasing immigration) has significant implications for Alberta's agriculture and food industry.

As the population demographics and incomes change, the demand for food changes. For example, recent polls suggest that consumers over the age of 50 spend more money than younger consumers on items such as fruit nectars, wine/liquor, carbonated and soda water, coffee and tea, vitamins, minerals, supplements and herbal remedies. As well, with more dual-income families, the demand for home meal replacements has increased. Likewise, rising middle class incomes in developing countries, particularly in India and China, are expected to increase demands for proteins and other higher quality food products.

Consumers, particularly in Europe and North America, seem to increasingly attach importance not just to the quality of food products, but also to ethical considerations of how the food was produced. For example, consumers are expressing concern about animal welfare, the environment, biotechnology and the management of such resources as air, land and water. The ability of the agriculture and food industry to assess the challenges posed by these multifaceted issues and seize the opportunities inherent in these challenges will greatly influence the future direction of the industry.

Competing Demands for Land, Water and Human Resources

Many of the resources required by the agriculture and food industry are becoming increasingly difficult to obtain due to limited supply and heightened competition from other sectors of Alberta's thriving economy.

Competition for farmland from other sectors, such as oil and gas exploration and extraction and the expansion of urban centers and residential acreages, drives up the price of the farmland. Water resources are also facing increased demands, especially in southern Alberta, resulting in reduced availability for farming and food processing. Consumer concern for the environment, as well as demand for environmental benefits, and increasing desire for landscape amenities also limit both the availability of land for farming and the type of farming practices employed.

The rapidly emerging labour shortages are the other factor the agriculture and food industry has to contend with. Difficulties in accessing labour pose a serious threat to industry growth. The demand for workers in Alberta's successful oil and gas sector is creating widespread labour shortages and higher wage costs. Rising energy costs also impact the costs of trucking services and fertilizer production.

Core Businesses, Goals and Measures

The Ministry contributes to three of the government's four key opportunities: Unleashing Innovation, Competing in a Global Marketplace and Making Alberta the Best Place to Live, Work and Visit and the following four of the Government's goals: 1, 3, 8 and 14. The Ministry's major contributions are to Goal 1: Alberta will have a diversified and prosperous economy and Goal 8: Alberta will have a financially stable, open and accountable government.

The functions of the Ministry are aligned with government core businesses through three Ministry core businesses:

- Facilitate sustainable industry growth
- Enhance rural sustainability
- Strengthen business risk management

Core Business One: Facilitate Sustainable Industry Growth

This core business:

- Relates to the government's key opportunities of: **Unleashing Innovation**, **Competing in a Global Marketplace** and **Making Alberta the Best Place to Live, Work and Visit**.
- Promotes growth by adding value to agricultural products and services.
- Supports an innovative, profitable and globally competitive industry capable of sustained growth.

Core Business Cost $246.9 million

Goal 1: Sustainable Growth of the Agriculture and Food Industry

This goal recognizes that industry growth is the outcome of long-term profitability arising from a competitive agriculture and food industry focused on market opportunities. The Ministry contributes to this goal by encouraging new and diversified product development and investment (primary and value-added food and non-food products) and facilitating long-term sustainable growth in established sectors. It is the role of the Ministry to work to enhance market access for agriculture and food industry products and to improve agriculture and food industry business services.

Goal 1 Expense $229.7 million

The Ministry's efforts under Goal 1 are focused on achieving growth in Alberta's primary agricultural production and value-added industry leading to $10 billion and $20 billion, respectively, by 2010. Ministry staff contribute to the prosperity of the industry by working with companies to develop new, or improve existing, value-added food and non-food products.

The Ministry provided more than $10 million in funding to assist municipalities and companies to increase beef slaughter and processing capacity in the province, including funding for

municipalities for water and wastewater servicing for beef processing operations. Ministry staff have also supported new immigrant farmers in acquiring farms and agriculture and food industry employers in finding employees through the Provincial Nominee Program.

Ministry staff have increased awareness of the potential marketing alternatives for wheat and barley in western Canada by providing significant input into the Choice Matters campaign. The Ministry has contributed to efforts to maintain or increase Alberta's agriculture and food industry revenue from national and international trade by successfully challenging another province's restrictions on coloured margarine under the Agreement on Internal Trade, by collaborating with the Canadian and U.S. federal governments and industry to manage the BSE policy effort and by playing an active role, with the Minister, in advancing Alberta's global trade interests at the World Trade Organization (WTO) Ministerial meetings in Hong Kong. They have also contributed to the work of the Agricultural Policy Framework (APF) Review Panel, which has now completed its mandate of assessing the performance of the current APF programs and provided recommendations for improvement in the design and delivery of future programs.

Key contributions to achievement:

- New technologies
- Expansion of meat processing and slaughter capacity
- Support for new immigrant farmers
- Effective producer and processor supports
- Improved industry competitiveness through policies, programs and projects
- Facilitated international trade
- Support for appropriate infrastructure/capital projects

Balancing economic growth with social and environmental sustainability continues to be a priority for industry and governments.

Strategy

Develop new products, processes and services that respond to new value-added market opportunities and enhance diversity.

Results

- Commercial seed distribution rights were granted for two new triticale varieties, Bunker and Tyndal, which were developed by the Field Crop Development Centre. The high silage yield and reduced awn (stiff bristle) expression of these varieties will diversify the use of spring triticale as conserved forage.
- The Food Processing Development Centre in Leduc evaluated four new technologies, completed 52 client-initiated developmental projects and completed 14 research projects related to value-added products. Alberta companies took 94 products to market, 38 of which were entirely new.
- Two beef value chains in organic and natural products were developed resulting in more than $3.8 million flowing through the chain to producers.
- The Bio-Industrial Technologies Division was resourced and established to support industry in the development and commercialization of new industrial technology applications and products.
- The Agri-Processing Incentive Program and the Agri Investment Program were enhanced by over $900,000 in federal funds, under the Renewal Chapter of the Agricultural Policy Framework (APF). These funds have enabled more than 30 Alberta companies to further develop new products and new technologies and to attract investment.

Strategy

Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation and lending products.

Results

- The Agrivalue Investor Network agreement was developed and signed providing grant funding of $490,000 for a three-year pilot project. The network will link early stage and established companies seeking investment with individuals interested in investing in the agrivalue industry and is expected to facilitate the private investment of $10 million to $15 million into value-added agriculture.
- Assistance of $2.9 million was provided to eight slaughter and beef processing capacity expansion projects under the Beef Product Market Development Program.
- 104 prospects were received through the Self-Employed Farmer Provincial Nominee Program (PNP); 19 Ministry PNP recommendations were approved for new immigrant farmers representing $47.7 million in equity and $82.4 million in investment in pork, beef, dairy, potato and greenhouse/crops sectors. This represents new immigrant farmers acquiring and expanding farm businesses in rural Alberta.

Strategy

Advocate policies/programs and develop networks that facilitate market access, human resource development and industry competitiveness.

Results

- Assisted in leading the Marketing Choice initiative by providing significant input into the Choice Matters campaign and lobbying federal representatives. This effort has resulted in increased awareness of the potential marketing alternatives for wheat and barley in western Canada.
- The first fruit wine operation in Alberta was established with Ministry support, through advocacy for the Cottage Wine Policy (which was enacted in February 2005 by the Alberta Gaming and Liquor Commission).
- The Ministry contributed $30 million to establish the Beef Legacy Fund to support market re-entry and new market development for beef cattle.
- 101 Ministry recommendations for skilled workers under the Provincial Nominee Program (PNP) were approved for agri-food processors and 13 primary agriculture employers. Assistance and recommendations for Labour Market Opinions were provided to 44 employers representing 440 processing and 76 primary agriculture skilled worker PNP applications.
- 315 Green Certificate trainees were certified as production technicians and supervisors. Certification of trainees provides an assurance that production technicians and supervisors have farm production, competency-based training in order to contribute to the farm labour pool.
- Access to markets for Alberta poultry and pork products was facilitated by freedom-from-disease information being generated through surveillance programs and projects. Scientifically valid information on scrapie, avian influenza, and Salmonella prevalence in Alberta livestock and wildlife was produced.
- Industry competitiveness was enhanced by disease investigations and surveillance programs that identified and resolved potential animal health risks, such as Salmonella, lead toxicity, Johne's disease and Chronic Wasting Disease.
- Recovery of the beef industry was facilitated by scientific expertise contributing to the development of national/provincial bovine spongiform encephalopathy (BSE) policy, including the approval of the Alberta position policy and the work of the Federal/Provincial/Territorial Feed Ban working group, Beef Value chain round-table and Alberta Prion Research Institute management board.

- Improved access to lost markets was achieved through the provision of objective evidence on the prevalence of BSE in Canada. BSE testing through the Canada-Alberta BSE Surveillance Program exceeded World Organization for Animal Health requirements. Food safety controls were maintained through the removal of Specified Risk Materials.

Strategy
Develop and administer essential policy, legislation and regulations.

Results
- Completed the regulatory framework for the creation of a new Alberta Beekeepers refundable commission. The move from an industry association to a commission will enable the beekeeping industry to contribute more to research and development to further develop the industry.
- Added provisions to the Alberta Beef Producers Plan Regulation for the creation of a Cattle Industry Council to involve more industry stakeholders in Alberta Beef Producers' policy development process.
- Amended the Alberta Pork Producers' Plan Regulation to reflect demographic changes in the industry, reduce administrative costs and encourage greater participation of producers in the activities of Alberta Pork. Implementation began on Alberta Pork's farm unit premise registration system to provide additional trace-back of products.
- Amended the Alberta Milk Marketing Regulation to give processors an assurance of milk supply and provide a consistent milk classification system across Canada.
- Completed a review of the existing *Animal Protection Act* (APA) in collaboration with industry partners. The amendments to the APA will improve the opportunities of those who enforce the APA to act swiftly on cases of neglect and mistreatment.
- Worked with Alberta Environment and International and Intergovernmental Affairs to resolve concerns raised by Montana to the International Joint Commission regarding the 1921 Order that defines water sharing between Alberta and Montana.

Strategy
Deliver targeted research, technology, information and services to enhance competitiveness and market access.

Results
- Assisted in measuring more than 300 bulls for Net Feed Efficiency (NFE) and released the first North American genetic merit values for NFE. Approximately $1.5 million has been invested by industry in a new facility for testing breeding stock for NFE. Improving NFE will also reduce (by 15-20%) methane and manure emissions from cattle, which may result in new agriculture investment due to greenhouse gas credits.
- In collaboration with industry and the University of Alberta, determined the potential for further refining dried distiller grains into high value ingredients through the application of new bio-process technologies. An industry partner is currently considering the opportunity for commercial adoption.
- Continued work with the irrigation industry to develop research programs to test and promote effective water measurement practices to irrigation producers and districts that will increase water use productivity and efficiency as well as reduce water losses.
- Assisted the Alberta Sugar Beet Growers in successfully defending against U.S. anti-dumping duties at the Canadian International Trade Tribunal.
- Led and coordinated a mission of members of the Legislative Assembly (MLA) to the Legislative Agriculture Chairs Summit, which resulted in an Alberta MLA being elected to the State Agriculture Rural Leaders Board. The position gives Alberta/Canada access to all state Legislative Agriculture Chairs in the U.S.

Strategy

Work with partners to ensure that appropriate physical infrastructure is in place.

Results

- Worked with Alberta's 13 irrigation districts to allocate $20 million in Irrigation Rehabilitation Project Funds and $2 million for special projects in individual districts that addressed critical needs in water management and efficiency improvements.
- In co-operation with Alberta's natural gas distributors and electric utilities including rural gas co-ops and rural electrification associations, facilitated the construction of 3,400 new rural natural gas services and 520 farm electric services through the provision of grant funding exceeding $2.575 million.
- Alberta invested $2.84 million into a world-class, state-of-the-art innovation facility, the Agri-Food Discovery Place, that will focus on bio-products and food safety.
- As part of Alberta's BSE recovery plan, an Industrial and Environmental Infrastructure for Beef Processing Program was developed to assist municipalities and industry involved with new or expanding beef slaughter and processing plants. Approximately $6.1 million was committed to 11 projects. The funding will help industry deal with environmental issues such as noise, waste, emissions and other issues such as security and utility connections as well as other industrial needs associated with developing new beef processing capacity.
- Approximately $1.15 million was approved under the Municipal Industrial Wastewater Infrastructure for Agricultural Processing Program for three municipal capital projects and two feasibility study projects. These projects relate to water and wastewater servicing for beef processing operations.

Goal 1 Performance Measures		2004 - 2005 Result	2005 - 2006 Target	2005 - 2006 Result	2006 - 2007 Target
1a	Number of value-added products developed and successfully introduced to market with assistance from the Ministry[1].	94[2]	120	42	120
1b	Research and development investment by collaborators leveraged through Ministry resources.	$6.8 million	$7.0 million	$7.6 million	$8.5 million
1c	Investment supported by AFSC lending services[3].	$283 million	$213 million	$233[4] million	$221 million

[1] The 2005-06 target and result numbers for this measure differ significantly as the measure was restated in the 2005-08 Business Plan. This change was done to better reflect the intended meaning of this measure, which focuses on development and commercialization of new value-added products. The previous numbers included work done on products already on the market. Targets for this measure will be adjusted accordingly.

[2] The 2004-05 result included 38 new product introductions that were supported by the Beef Product Market Development program (BPMD). As a response to BSE, this program helped meat processors deal with the surplus of cattle more than 30 months of age by offering support for secondary beef processing expansion, new product development, market re-entry and new market development. Although BPMD was extended to March 31, 2006, the program primarily supported secondary beef processing expansion projects in 2005-06.

[3] Total investment in rural business and total amount of farm loans.

[4] The total dollar investment in rural business was slightly over target due to the focus on increasing beef slaughter capacity and value-added for the beef industry as a result of BSE.

Goal 2: Continued Excellence in Food Safety

This goal recognizes that a reputation for excellence in food safety is essential to maintain consumer confidence and expand markets, both domestic and international. The Ministry contributes to this goal by promoting implementation of food safety systems in the production of food. This is achieved through essential food safety legislation, regulations and policy and through surveillance systems that support consumer confidence and market access. These initiatives support the development of a national approach to food safety as identified in the Agricultural Policy Framework.

Goal 2 Expense $17.2 million

The Ministry contributed to safe food manufacturing in Alberta by providing expert input to the design of, and guidance on the implementation of, production systems on farms and in food processing establishments. Inspections of food plants were conducted to ensure compliance with provincial regulations. Valid surveillance information about the safety of Alberta agri-food products was generated to give consumers confidence in the safety of Alberta products. Expert advice from Ministry staff resulted in greater awareness about food safety risks and appropriate mitigation strategies by food processing plant operators.

The Ministry provided lab testing support, advocated improved production or processing practices and advocated for access to secured Agricultural Policy Framework (APF) funds for development of Hazard Analysis Critical Control Point (HACCP) based food safety programs by food processors. Inspections ensured compliance by primary food producers with provincial food safety regulations. The Ministry also contributed to the development of national food safety policies, including the discussion of policy options regarding the containment or destruction of specified risk materials.

Key contributions to achievement:

- Food Safety Initiative negotiated under the APF
- Increases in certification and inspection
- Increases in surveillance and investigation
- Processing and on-farm food safety programs
- Partnerships, including those with the Canadian Food Inspection Agency, Alberta Sustainable Resource Development and Alberta Health and Wellness
- Well managed regulatory inspection and enforcement

Reporting and measurement related to food safety continues to create challenges given the multi-jurisdictional responsibility for food safety program delivery.

Strategy

Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.

Results

Meat Facilities Standard II (MFS II):

- A protocol to assist operators of licensed abattoirs to comply with the MFS II was developed by food safety specialists. The protocol will enable regular partial maintenance audits to be conducted by third-party auditors, to ensure compliance with MFS II.
- Ministry staff assisted Alberta's five provincially licensed dairy plants to implement the traceability requirement of the *Dairy Industry Act*.

Alberta HACCP Advantage (AHA):

- The HACCP pre-requisites and plans for small and medium food processing establishments were completed and reviewed by Alberta Health and Wellness.
- The Ministry and Agriculture and Agri-Food Canada negotiated an implementation protocol for the Food Safety and Quality Chapter of the Agricultural Policy Framework (APF) Food Safety Initiative (FSI), resulting in the development of an FSI funding protocol and implementation procedure for AHA and the recruitment of Food Safety Specialists to deliver the program.

Critical Control Points (CCP) identification:

- Critical Control Points for two processing plants were verified by projects, ensuring safer food products.

On-farm Food Safety (OFFS):

- National Technical Reviews were completed for three commodity groups (grains and oil seeds, turkey and bison), to enable OFFS implementation.
- Ministry staff participated on industry boards and commissions to provide expert advice in support of OFFS implementation.

Strategy

Develop, implement and maintain a surveillance system that validates and identifies opportunities for enhancing the safety of Alberta's agriculture and food products.

Results

- Disease investigations by Ministry staff detected and resolved six potentially high-risk food safety issues during food production and processing.
- Opportunities for industry to enhance food safety were identified by 25 food safety surveillance projects. This information was shared with industry and technical peers and partners.
- An early warning system for potential food safety risks in poultry production facilities was provided by two ongoing food safety programs that monitor specific pathogens in production facilities.
- Nine new/improved food safety testing methods were developed and validated, enhancing the ability to detect and evaluate food safety risks.
- Enhanced the Food Safety Division laboratory's International Organization of Standardization (ISO) accredited Quality Assurance System to increase confidence in, and international acceptance of, scientific findings.

Strategy

Develop and administer essential policy, legislation and regulation, and facilitate emergency response.

Results

- Emergency response plans were created through participation in the Intelligence Working Group of the Minister's Committee on Pandemic Preparedness Plan, the Alberta Counter Terrorism Crisis Management Plan, FIORP (national food emergency response) and the Alberta Food Borne Illness Emergency Response Plan.
- Industry's capacity to deal with risk was enhanced by amendment of regulations, such as the Alberta Milk Marketing Regulation and the Alberta Chicken Producers Marketing Regulation.
- Milk testing services continued to be made available to industry through an agreement with Dairy Herd Improvement for Central Milk Testing.

Compliance with provincial food safety regulations by primary food producers was ensured by inspection:

- All 724 dairy production facilities were inspected in the past 24 months. Approximately 44 per cent of the total number of bulk milk trucks in the province were also inspected.
- All red meat abattoirs were inspected on a monthly basis as part of the Meat Facility Standards (MFS) Auditing Program. A checklist based on the Canadian Food Inspection Agency (CFIA) monthly inspection program was developed, and inspection services were provided to 52 red meat plants, three poultry plants and 71 Hutterite colonies. Regulatory Services Division (RSD) also licensed 99 mobile butchers in 2005-06. On an annual basis, meat inspectors inspect approximately 205,266 red meat carcasses and 3,962,563 poultry carcasses.
- Contraventions of Food Safety Regulations were addressed by investigation and enforcement activities to prevent the sale of uninspected eggs and meat and contraventions of the dairy act.
- RSD meat inspectors verified Specified Risk Materials (SRM) removal from provincially inspected meat carcasses.

Essential Policy:

- A Specified Risk Materials (SRMs) Disposal Planning Workshop, for industry and government partners, was held in May 2005 to discuss policy options for the containment or destruction of SRMs.
- National food safety policies and governance systems were developed through active participation on federal/provincial/territorial technical committees and subcommittees.

Strategy

Develop and transfer knowledge and technology in support of safe food production and processing.

Results

- Alberta licensed processing plant operators are aware of food safety risks, intervention strategies and appropriate mitigation practices as a result of consultation with meat inspectors and food safety specialists.
- Alberta licensed processing plant operators are aware of the Food Safety Initiative Program, which supplies funding for the development of Hazard Analysis Critical Control Point based food safety programs as a result of consultation with and provision of information by Food Safety Division and Regulatory Services Division staff.
- The Alberta poultry, pork and honey industries received targeted food safety information to improve their production/processing practices
- Electronic access to meat inspection records was provided by the Meat Inspection Data Collection Initiative, to ensure timely submission of inspection records.

Strategy
Provide information, training and other programs that enhance food safety awareness and supports access to domestic and international markets.

Results
- Industry and the public were made aware of legislative enactments through publications on the Ministry's Ropin' the Web web site. Interpretative overviews of legislation are also provided.
- The Bulk Milk Grader Study Guide was substantially revised and reprinted.
- A monthly newsletter was distributed to abattoirs and meat inspection staff.
- Alberta farmers' markets received targeted food safety information in a training manual for Alberta Farmers' Market vendors and managers entitled "Marketing Food Safely."
- Food safety information was developed and shared with partners through collaborative efforts with groups such as Canada Alberta Partners in Food Safety, Regional Health Authorities and Alberta Health and Wellness.

Strategy
Participate in national, provincial and industry food safety and traceability initiatives.

Results
- An environmental scan was completed by an external consultant to provide Ministry staff with information to increase knowledge of traceability systems, technologies, requirements and legislation in other jurisdictions.

Goal 2 Performance Measures	2004 - 2005 Result	2005 - 2006 Target	2005 - 2006 Result	2006 - 2007 Target
2a Number of surveillance programs that identify hazards in food production.	18	10	25	10
2b Per cent of Alberta production produced under on-farm food safety programs.				
• chicken farms	100%	98%	100%	98%
• hog farms[1]	100%	98%	92%[2]	98%
• beef feedlots[3]	N/A[1]	20%	N/A	40%
2c Per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system.				
• meat	N/A[4]	20%	16%[5]	20%
• dairy	N/A[4]	70%	0%[6]	70%

- All Canadian Cattle Identification Agency (CCIA) tags numbers are recorded and have been transferred into CCIA's database to support traceability of Alberta cattle.
- The Director of Regulatory Services Division fulfilled obligations of appointment as Secretariat for the Livestock Identification Services Ltd. (LIS)'s Delegation Agreement, overseeing the delegation of legislative duties, powers and functions corresponding to the LIS Delegation Agreement and sitting as an Ex-officio member on the LIS Board of Directors.

[1] These results are based on estimated production numbers and may overstate the actual percentage of pork produced under on-farm food safety programs in Alberta.

[2] Market demand requires that the producer be following a provincially recognized OFFS system in order to supply product to the processor (abattoir). Producers have been implementing since 1995 and some producers are on their second audit cycle. The results reported represent 100 per cent of the production sold for commercial processing.

[3] Production figures for Alberta beef feedlots under OFFS are not kept by the Alberta Beef Quality Starts Here (ABQSH) program or any other known source. Therefore, the Ministry is unable to report a result for this measure.

[4] Results for the 2004-05 fiscal year cannot be reported. The audit and inspection methodology used at that time to determine the adoption of HACCP or HACCP prerequisites was not adequate to determine with certainty if the adoption of HACCP or HACCP prerequisites had occurred.

[5] This performance measure can be achieved by a meat processing facility implementing either the Meat Facilities Standard II (MFSII) or the Alberta HACCP Advantage (AHA) program. The AHA program is underway and accepting applications. However, AHA is a strictly voluntary program, which will wrap up March 31, 2008. Progress has been made toward implementation of the MFS II. However, the MFS II is still in the public consultation phase and is expected to come into effect by December 31, 2007. Once the new standard comes into effect, compliance will be mandatory, and the performance measure will be met.

[6] There is no legal requirement for dairy processors to implement these programs. All are strictly voluntary. Encouragement is provided. Processors wishing to implement these pre-requisites are eligible for Food Safety Initiative funding under the Ministry's AHA program.

A timeline for the implementation of three HACCP pre-requisite programs has been created for Alberta dairy producers by Alberta Agriculture, Food and Rural Development as follows:

2006-07: Recall Program

2007-08: Allergen Program

2008-09: Sanitation and Pest Control Program

Core Business Two: Enhance Rural Sustainability

This core business:

- Relates to the government's key opportunities of: **Making Alberta the Best Place to Live, Work and Visit, Competing in a Global Marketplace** and **Unleashing Innovation.**
- Relates to maintaining and improving agriculture's physical and human resource base.

Core Business Cost $52.1 million

Goal 3: Improved Environmental Stewardship

This goal recognizes it is the role of the Ministry to assist the agriculture and food industry to maintain or improve Alberta's air, water and soil for the well being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, climate change and biodiversity.

Goal 3 Expense $21.6 million

To realize the desired outcomes of maintaining or improving agricultural soils and water quality in agricultural areas of the province, the Ministry has worked with industry and other partners to conduct research, provide training and monitor the impact of agricultural production and processing on soil and water quality.

Through provision of support to the Environmental Farm Plan Company, farmers are provided with training to enable the development of environmental farm plans. The Ministry also works with partners to provide training and technical support for the development and application of beneficial management practices on Alberta farms. Partnerships in RTLinkages (Reduced Tillage Linkages) and the National Greenhouse Gas (GHG) Mitigation Program helped to increase producer awareness of beneficial management practices and GHGs through on-farm demonstrations, workshops and articles in a variety of media.

Key contributions to achievement:

- Work with other ministries and agencies to maintain and improve water and soil quality
- Engagement of industry in several areas, including beneficial management practices and environmental farm plans
- Greenhouse gas and biodiversity awareness programs and on-farm demonstrations
- Research results and continued research
- Support for corporate spatial data services for public use, Agriculture Climate Information Service (ACIS) and Agriculture Regions of Alberta Soil Inventory Database (AGRASID).

Strategy

Support and conduct applied/adaptive research and evaluations to develop economically sound, environmentally friendly beneficial management practices for relevant areas of crop and livestock production and agricultural processing.

Results

- Worked with Alberta Environment and Alberta Sustainable Resource Development in the development of the South Saskatchewan River Basin (SSRB) Water Management Plan, which will set minimum flow standards for all rivers in the SSRB.
- Developed a water measurement canal/pipeline system to test and promote effective water measurement practices to irrigation producers and districts that will increase water use productivity and efficiency.
- Worked with the irrigation districts in updating crop, on-farm irrigation system and infrastructure databases required for continued water demand modeling and individual district water management planning.
- Worked with Agriculture and Agri-Food Canada to assess the impact of manure incorporation methods to reduce nutrient runoff to surface water.
- Conducted applied research to assess the practicality of vegetative buffer strips adjacent to surface water to reduce nutrient losses to rivers, streams and irrigation canals.

Strategy

Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable, including provision of support for adoption of environmental farm plans.

Results

- Provided financial and technical support for the operation of the industry-led Environmental Farm Plan (EFP) program. Technical and communications support was provided for the delivery of the workshops for producers throughout Alberta and for the training of the technical advisors, supporting EFP commitments.
- The Confined Feeding Operations (CFO) Emissions Inventory Subgroup, as part of the Clean Air Strategic Alliance CFO team, developed terms of reference. A draft work plan has been developed and approved.

- Nutrient management software tools were developed. Key milestones that have been achieved with this project are the Alberta Manure Management Planner, Version 0.20, released in April, 2005 and made available from Ropin' the Web; Alberta Farm Fertilizer Information and Recommendation Manager, Version 2.0, released in August, 2005 and made available from Ropin' the Web; and the AAFRD Nutrient Management Planning Suite CD-ROM released December 2005.
- The Nutrient Management Plan Development Guide/Curriculum was developed, and the manure application practices and technology situation analysis project completed.
- Local community-based extension programs were delivered to facilitate adoption of beneficial management practices (BMPs) by the agricultural industry. Supported 39 extension programs covering 17 agricultural groups and 59 municipalities addressing key environmental issues of nutrient management, grazing and riparian management and integrated crop management.
- Continued development of the necessary infrastructure to support a Corporate Spatial Data Service that will facilitate decision making, support and risk assessment. The Agriculture and Climate Information Service (ACIS), and the Agriculture Regions of Alberta Soil Inventory Database (AGRASID) were launched as web-based applications for free public access.
- Provided information to producers and industry that will improve irrigation and energy use efficiencies of irrigation systems through irrigation management training and the Irrigation Management Climate Information Network.
- Established four demonstration farms and 40 on-farm demonstrations to increase producer awareness of BMPs that mitigate greenhouse gases (GHGs) in cropping and manure management systems; 1,961 farmers and extension persons attended 54 tours. Presentations were made at 74 workshops and 25 articles appeared in industry publications such as Top Crop Manager, Country Guide and Grain News. This was done as a partner in RTLinkages (Reduced Tillage Linkages) and the National Greenhous Gas Mitigation Program.
- Assisted with several manure injection demonstrations. Compiled data for development of technical information on composting. Started a long-term nutrient demonstration site.

Strategy

In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.

Results

- Developed a Standardized Pork Greenhouse Gas Quantification Protocol, in concert with the National Offset Quantification Team, to define the supply side of carbon credits from pork.
- Participated as a member of a Multi-Stakeholder Advisory Committee in the review of current legislation for the development of conventional natural gas to ensure appropriate regulations are in place for the development of natural gas from coal also known as coal bed methane. A draft final report was finalized for review by Standing Policy Committee and Cabinet.
- Worked with industry partners to continue applied research to assess agricultural phosphorus losses and the impacts on surface water in Alberta's agricultural areas. This work is being completed in order to develop soil phosphorus limits for all agricultural lands in the province. As part of this project, communicated with producer organizations to promote the need for the development of beneficial management practices related to long-term sustainable phosphorus management.

Strategy

Monitor the effect of the agricultural production and processing industry on soil and water quality.

Results

- Monitored 23 small agricultural watersheds for bacteria, nutrients and pesticides to determine the impact of the agricultural industry on surface water quality. Initiated a five-year summary of results.
- Monitored 42 Soil Quality Benchmark Sites for various physical, chemical and biological parameters to determine the impact of agriculture on soil quality. Expanded the number of monitoring sites to 44 within 42 provincial eco-districts.
- Initiated a pilot project to detect Personal Care Products and Pharmaceuticals residues in surface waters, in partnership with the Canadian Food Inspection Agency and Alberta Environment.
- Completed the data analysis for the shallow groundwater study, which is evaluating the relationship between agricultural intensity and shallow groundwater quality.

Goal 3 Performance Measures	2004 - 2005 Result	2005 - 2006 Target	2005 - 2006 Result	2006 - 2007 Target
3a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be completed in 2006-07)[1].	53%[2]	53%	53%[2]	58%
3b Number of producers provided with training and technical support to enable development of environmental farm plans.	1,968	1,500	5,056[3]	2,000[4]

[1] The adoption score out of a possible 54 eligible practices (i.e., if a farmer had livestock and water bodies on his/her land, a practice such as "fencing to manage livestock access to water" would apply) was 53 per cent in 2003 (63% in 2000). Producers surveyed (n=500) indicated the prolonged droughts of 2001, 2002 and 2003, coupled with the ongoing BSE crisis, were the main reasons for not increasing the adoption rate of environmentally sustainable practices on their farms. In fact, 86 per cent were impacted in some fashion by these severe financial hardships (40% very significantly).

[2] The 2005-06 actual numbers stayed at 53 per cent because this is the most recent data available. The next survey will be conducted during the latter part of the 2006-07 fiscal year. The target for reporting for the 2006-07 fiscal year is 58 per cent, revised as a result of the long term impacts of the aforementioned financial hardships.

[3] The 2005-06 actual results (5,056) far exceeds the 2005-06 target (1,500) as a result of an expanded marketing program initiated by the AEFP Company and supported by the tripartite partners, Alberta Agriculture, Food and Rural Development and Agriculture and Agri-Food Canada, through the provision of extra financial and technical resources. The AEFP Company also restructured, facilitating the strategic positioning of leaders to provide additional administrative and leadership support. Since these program improvements will continue, targets for 2007-08 and beyond will be increased accordingly.

[4] Future targets for 2007-10 and beyond will be revised to reflect a cumulative growth of 1,500 per year.

Goal 4: Strengthened Rural Communities

This goal recognizes that vibrant and sustainable rural communities are one component of a prosperous province. The Ministry contributes to this goal by working to strengthen rural communities through involvement in facilitation, leadership development and infrastructure development. The Ministry has a lead role in coordinating rural development initiatives, under the Economic Development Strategy. Implementing the Rural Development Strategy will facilitate cooperative efforts to ensure a balanced emphasis on social, economic and environmental priorities by all stakeholders in support of community prosperity.

Goal 4 Expense $30.5 million

Agriculture, Food and Rural Development works with other ministries and non-government stakeholders to achieve vibrant, sustainable rural communities. Positive results leading to that outcome are being realized as a result of training and leadership development opportunities for rural youth and other rural leaders provided by the Ministry.

The Ministry has also provided grant funding for Irrigation Districts to improve water conveyance and to Agricultural Societies and Agricultural Service Boards for community facilities and activities, as well as pest and weed control and soil and water conservation.

The Ministry has been facilitating the implementation of the Rural Development Strategy in partnership with stakeholders and other ministries, resulting in the Alberta Government committing $360 million in new funding to Rural Development in the coming year.

Key contributions to achievement:

- Provision of training and leadership
- Evident partnership with communities and rural businesses
- Excellent stakeholder engagement and cross-ministry involvement
- Contributions to planning for future rural development
- Rural business diversification efforts

Strategy

Provide leadership development for youth and adults actively engaged in agriculture and community organizations.

Results

- 93 per cent of 4-H leaders and members attending Ministry supported programs reported increases in technical skills and knowledge as well as in leadership development based on Knowledge, Aspiration, Skills and Attitude evaluations.
- Key Member Program launched in 39 of 55 4-H districts across the province, increasing the number of mentors for youth, training available to members and the resources available for district clubs.
- Updated 4-H Leader training levels and provided Level 1 training to over 300 leaders across the province.

Strategy

Facilitate the development of sustainable communities, organizations and agricultural and rural businesses that are networked, flexible, adaptable and manage change proactively and positively.

Results

- Cost-shared Irrigation Rehabilitation Program grants in the amount of $22 million were distributed to Alberta's 13 irrigation districts, assisting them to improve their water conveyance infrastructure, which delivers water to irrigation farmers, as well as about 50 towns and villages, numerous commercial/industrial operations, water-based recreational sites and wildlife habitat throughout southern Alberta.
- Coached and mentored boards and commissions on board governance, industry issues and strategic priorities aligned to the Agriculture Growth Strategy. For example, the Hatching Eggs Memorandum of Understanding.
- Completed 40 mentorship consultations with agricultural tourism operators and farm direct business clients across Alberta to strengthen individual businesses and improve awareness and understanding of business opportunities.
- 14 ag-entrepreneur scholarships were awarded to Alberta farm direct marketers and ag-tourism operators to attend three different learning events. These individuals increased their awareness of the industry and related business opportunities and have become spokespeople and mentors to others within the industry.
- Weyerhaeuser and Land Stewardship Center signed Memorandum of Understanding Agreements with the Woodlot Extension Program to become full program partners through to December 31, 2008. New partners to the program now total 15 industry, government and conservation partners. Participation encourages collaboration among partners and promotes an innovative business model for program delivery.
- The one-month 'Dine Alberta' Savour Regional Flavour project increased from 70 to 90 participating restaurants in 2005 and resulted in $446,968 spent on Alberta ingredients; 79 per cent of chefs reported they will continue to feature Alberta products on their menus throughout the year.
- Revised the Approved Alberta Farmers' Market Program Guidelines (developed in June 2005) to increase the ability of larger Approved Farmers' Markets to invest in infrastructure and protect their investment through the use of the New Generation Co-operative business model.
- Provided $8.67 million in grant funding to 285 Agricultural Societies, which enabled community facility operation, enhanced agricultural activities and rural development and increased leadership and training activities.
- Provided approximately $2.9 million for 98 community-initiated projects under the Agricultural Initiatives Grant Program to support improvements in quality of life in agricultural communities.
- Provided $10.58 million support through grant funding to 69 Agricultural Service Boards (ASB) for the delivery of municipal projects, programs and services for weed control, agricultural pest control and soil and water conservation as directed under the *Agricultural Service Board Act* and associated legislation.
- Through the development of a new provincial agreement and new ASB program guidelines, reporting was enhanced and accountability of ASBs with respect to program funding and program delivery has increased.
- A new Provincial ASB Committee was established to facilitate effective stakeholder engagement in addressing agricultural issues.

- Collaborative initiatives with the National 4-H Resource Network have resulted in the development of up-to-date, innovative and leading edge training materials that can be used by organizations across Canada to increase their overall adaptability and ability to manage change.
- Linkages and partnerships were built with other youth organizations to enable sharing of resources and training opportunities.

Strategy

Co-ordinate a multi-ministry approach to rural development.

Results

- A Cross-Ministry Rural Development Strategy Implementation Committee was formed to provide direction to the implementation of A Place to Grow: Alberta's Rural Development Strategy. As a result, more than $260 million in spending was committed by the Alberta Government to 25 rural initiatives in Budget 2006.
- A Rural Development Strategy Task Force was appointed to provide advice to the government on rural priorities and key mechanisms needed to effectively implement the Strategy. As a result, a commitment was made in Budget 2006 to establish a $100 million Rural Development Project Fund to support community-focused projects that will contribute to the growth and prosperity of rural Alberta.
- Federal/provincial collaboration on rural issues was supported and encouraged at all levels. As a result, important input was collected from rural residents at a joint Roundtable on Rural Development held in Hanna, a Memorandum of Understanding was signed to provide additional support to Rural Team Alberta and a new research project into how rural communities can attract and retain immigrants was initiated.
- Initiated work with Alberta Education to increase collaboration in the availability and use of Off Campus Credit program resources for 4-H youth in rural communities.

Goal 4 Performance Measures		2004 - 2005 Result	2005 - 2006 Target	2005 - 2006 Result	2006 - 2007 Target
4a	Number of rural businesses assisted by AFSC lending services.	273	320	207[1]	330
4b	Total investment leveraged in rural businesses facilitated through AFSC lending services.	$169.0 million	$80.0 million	$98.6[2] million	$82.0 million
4c	Percentage of Ministry supported, agricultural-related community activities that focus on leadership development[3].	32%	27%	31%	29%
4d	Percentage of rural youth participating in Ministry supported programs that report effective learning from those programs.	91%	90%	93%	90%

[1] Numbers of businesses assisted was lower than targeted because projects authorized were larger than anticipated. Larger projects take more resources (both human and capital) resulting in fewer projects being undertaken.

[2] Total investment was over target due to the focus on increasing beef slaughter capacity and value-added for the beef industry as a result of BSE.

[3] This measure has changed from previous years to better focus on Ministry outcomes related to rural development. One of those outcomes is leadership development.

Core Business Three: Strengthen Business Risk Management

This core business:

- Relates to the government's key opportunities of **Competing in a Global Marketplace** and **Unleashing Innovation**.
- Provides risk management tools and training.

Core Business Cost $805.8 million

Goal 5: Effective Risk Management Decisions by Agricultural Business Managers

This goal recognizes the business risk associated with production affected by weather extremes, disease epidemics and unforeseen global market influences. Cooperative efforts by service providers will target business management training and information dissemination, allowing managers to adopt the most economical and effective management practices to sustain their business.

"Agri-business manager" is an inclusive term indicating the range of industry people, from primary to value-added, using risk management tools in decision-making. This goal is manager-driven. The manager makes the decisions, not government on behalf of the manager.

Goal 5 Expense $2.9 million

Ministry staff and industry partners strive to ensure primary producers and agri-businesses have access to business risk management information, tools and training that supports the development of business risk strategies.

Changes made to the 2005-08 Business Plan have focused renewed effort on the provision of business risk management information and training for agricultural business managers to support the development of business risk strategies. As a result, several risk management tools have been made available to producers and agri-businesses. Work with existing and new partners also enabled the delivery of business and risk management information as well as strategy and skill development opportunities.

Key contributions to achievement:

- Partnerships with federal, other provincial and industry organizations for farm safety, planning and business risk management
- Development of financial, CropChoice$ and weather-related risk management tools

Strategy

Determine risk management information needs of business managers in the primary and value-added sectors.

Results

- A Business Risk Management Survey was conducted in 2006. The survey results were used to determine a frame of reference for the risk management information needs of primary producers.

Strategy

Collect, develop and distribute data and information to support business risk management decisions in the primary and value-added sectors.

Results

- Proactive, knowledge-based information packages and approaches to managing risk were developed and made available to clients through vehicles such as Ropin' the Web and presentations.
- The Alberta Pest Monitoring Network (APMN) completed eight crop insect and disease surveys in 2005-06. Survey results were made available to industry agronomists, private consultants and primary producers through forecast maps on Ropin' the Web, Agronomy Networks, the Alberta Ag-Info Centre and various newspaper and radio releases. The information generated by the APMN is used by farm managers to make better-informed farm management decisions.
- Initiated the expansion of the provincial climate network by 67 stations through partnership with AFSC, Alberta Environment and Agriculture and Agri-Food Canada.
- Provided media with reports and expertise on soil moisture and precipitation patterns over the agricultural area including spring soil moisture maps (measured) and bi-weekly modeled soil moisture maps.
- Partnered with the Medical Examiner's Office and rural hospitals to collect farm injury/fatality data through Farm Accident Monitoring System to determine farm safety programming needs.
- Partnered with Farm Credit Canada, Canadian Federation of Agriculture and Canadian Agriculture Safety Association to hold Farm Safety Week throughout Alberta from March 8 to 15, 2006. The theme was "Farm safety is my business" with a specific focus on youth ages 15 to 25.
- Farm Safety staff distributed the "Farm Safety: It's No Accident" safety education and planning resource CD-ROM. Of the 231 survey respondents from the Summer Farm Employment program, 82 per cent plan to make, or have made, improvements to farm safety practices and could describe these improvements.
- Partnered with Alberta Environmental Farm Plan Company to develop an Emergency Farm Plan package for Alberta farmers.

Strategy

Facilitate development and use of analytical tools to proactively identify, measure and manage business risk in the primary and value-added sectors.

Results

- CropChoice$ risk planning and analysis software was updated to reflect 2006 cropping, economic and crop insurance situations. In the past year, 589 Albertans downloaded this risk management tool from Ropin' the Web.
- Developed a Commercial Business Return Analyzer financial risk management tool. The program was used during consultations with nine agri-processing companies to help them make sound financial risk management decisions.
- Developed a pasture soil water simulation model in co-operation with AFSC, and initiated a calibration/testing program.
- Launched an on-line climatic mapping tool, Agriculture Climate Information Service, to assist producers with crop management decisions.
- Developed and delivered site-specific soil moisture information to AFSC to support their delivery of moisture-based insurance products to producers.

Strategy

In collaboration with the private sector, provide information and training on business risk management tools and strategies in the primary and value-added sectors.

Results

- The Ministry partnered with a broad range of private and public sector organizations to deliver business and risk management information, strategy and skill development opportunities.

Goal 5 Performance Measures	2004 - 2005 Result	2005 - 2006 Target	2005 - 2006 Result	2006 - 2007 Target
5a Percentage of managers surveyed indicating the use of risk management tools for improved decision making.	N/A[1]	25%	22%[2]	35%

[1] The methodology for this measure has changed significantly since publication in the business plan. As such, a comparable last actual result is not available.

[2] The target established for this measure was ambitious and based on information available at that time related to risk management. The 2006 Risk Management Survey has established a much stronger benchmark for this measure, and future targets will be adjusted accordingly.

Goal 6: Effective Support Programs for Industry Stability

This goal recognizes the need for proactive financial risk management programming and disaster support in the absence of effective private sector tools when natural and market events occur that are beyond agri-business managers' control. Industry stability is desirable from a Ministry perspective as it helps agri-businesses recover from disaster events and facilitates overall industry growth. The Ministry contributes to this goal by effectively delivering appropriate programs such as the Canadian Agricultural Income Stabilization Program, all risk production insurance and disaster recovery initiatives.

Goal 6 Expense $802.9 million

The Ministry focuses its efforts under this goal on working with our partners and stakeholders in establishing effective business risk management programs and ensuring that primary agriculture producers have access to disaster response programs when disasters occur outside their control. Improvements to the Canadian Agricultural Income Stabilization (CAIS) Program resulted from working in partnership with other provincial and federal government colleagues. Improvements to the CAIS program and production insurance programs have had a positive impact on the achievement of Ministry outcomes. Ministry staff continue to work to improve all areas of focus in the five chapters of the Agricultural Policy Framework.

Key contributions to achievement:

- Development and delivery of appropriate, responsive programs
- Working with partners to improve the current suite of programs available to farmers
- Enhancement of programs as required, including the CAIS Program and production insurance
- Deliver support for disaster recovery following uninsurable damage to farms

Strategy

Ensure production risk and income stabilization programs are designed and delivered effectively and efficiently through the Agricultural Policy Framework Agreement.

Results

Contributions to the national CAIS Program

- CAIS Program was made more responsive to producer needs in 2005-06 through change to fee-based program, increased access to Net Income Stabilization Accounts, extended program deadlines and revisions to program principles. These improvements were a result of the Ministry's work in consultations with stakeholders, representation on the national Business Risk Management Policy Working Group and negotiations with the federal government.

Alberta initiated CAIS results

- Several improvements and innovations were made to the CAIS program this past year including the automatic renewal of elected coverage levels, improved claims processing times and innovative options developed for producers in an overpayment situation.

Production insurance

- Worked to streamline, clarify and consolidate insurance information provided to clients to better educate/inform them about risk management programs.
- Leveraged delivery efficiencies and enhanced relevance of weather-based/satellite insurance program by introducing substantially more insurance options for pasture producers. These enhanced options allowed producers to customize the program to their particular region and grazing management practices.
- Completed negotiations with the federal government to introduce several enhancements to satellite and moisture deficiency insurance for pasture producers, including short and long season options, split season endorsements and more flexibility. As a result, over 75 per cent of clients participated in the split season endorsement and increased the effectiveness for their pasture insurance contract.

Strategy

Develop and deliver specific programs for industry to adapt to changing conditions.

Results

Provincial business risk management

- Made enhancements to the Spring Price Endorsement and Revenue Insurance Coverage, through increased government cost sharing. The changes will encourage producers to purchase this benefit, which helps protect them against commodity price declines. Participation in this program (measured by acreage) increased almost five-fold over the previous year.
- Alberta introduced the Reference Margin Pilot project this year that will be applied to all 2003-05 program year claims. The pilot program is investigating effective method(s) for calculating the reference margin. The changes made for the 2003 claim year resulted in 54 per cent of producers receiving an increase in support level and 25 per cent receiving an additional entitlement.

Specific perils

- Producers are better able to respond to drought as a result of drought management information provided through a variety of media, including web site, radio, producer meetings and Agricultural Services Boards, access to the 2005-06 Canada-Alberta Farm Water Program and the expanded network of weather stations being used for Moisture Deficiency Insurance to enhance coverage options/reduce basis risk.

- Facilitated a province-wide fall grasshopper survey. Data was used to construct the 2006 Alberta Grasshopper Forecast map and the Tri-Provincial Grasshopper Forecast map, to illustrate the potential risk for 2006.
- A total of 1,517 registration numbers were issued to producers under the Alberta Farm Fuel Benefit Program. The *Alberta Fuel Tax Act* and Fuel Tax Regulation allows eligible producers access to marked fuel and farm plates, which will contribute to competitive marketing of producers' agricultural products.
- Processed 33,577 applications under the Canada-Alberta BSE Surveillance Program. The program offers financial reimbursements to encourage producers, veterinarians and abattoirs to make target animals available for BSE surveillance.

Strategy

Develop programs, where appropriate, that respond to significant events that impact business sustainability.

Results

- Amendments were made to the Natural Gas Rebate Program that would provide greater benefits to Albertans in general but also to Alberta's farming communities. The program has been extended to March 31, 2009.
- Designed and implemented the 2005 Southern Alberta Disaster Recovery Program under the Alberta Disaster Recovery Regulation. One hundred and seventy-six farm operations in 24 municipal districts and counties that experienced damage to uninsurable items due to widespread flooding will receive financial assistance to help return their farms back to pre-disaster conditions.
- Processed payments relating to 13,746 applications under the 2004 Canada-Alberta Calf Set-Aside and Canada-Alberta Fed Cattle Set-Aside Programs.

Goal 6 Performance Measures		2004 - 2005 Result	2005 - 2006 Target	2005 - 2006 Result	2006 - 2007 Target
6a	Percentage of seeded acres for major crop categories insured under production insurance:				
	• annual crops	68%	60%	64%[2]	60%
	• perennial crops	3%[1]	40%	29%[3]	45%
6b	The per cent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program.	87%	87%	76%[4]	88%

[1] The last actual result (3%) is low because no pasture insurance programs were offered in 2004.

[2] Results for higher participation on annual crops may be due to the enhanced price risk features (Spring Price Endorsement and Revenue Insurance Coverage) offered as endorsements to the program in 2005.

[3] Results for lower participation on perennial crops may be due to excellent fall moisture conditions experienced in 2004 and good carryover of feed supplies from 2004.

[4] The result is lower than target primarily due to revisions made to the methodology for this measure. Inter-farm sales have now been included in the denominator to make Alberta farm cash receipts comparable to farm cash receipts covered by Alberta participants in the CAIS Program.

Performance Measures Methodology

Core Business One: Facilitate Sustainable Industry Growth

Goal 1: Sustainable Growth of the Agriculture and Food Industry

1a Number of value-added products developed and successfully introduced to market with assistance from the Ministry.

This measure captures the number of value-added products developed and successfully introduced to market through work done by the Industry Development Sector staff. The purpose of the measure is to determine the contribution the Industry Development Sector makes to the growth of Alberta's value-added industry. It is also used to assess the ability of Sector staff to focus on projects that have all the components to successfully get from product development to market.

Product development activities refers to projects where staff from the Industry Development Sector assisted industry clients in one or more of the following areas: product formulation, shelf-life, packaging, sensory evaluation, marketing and commercialization. "Introduced to the market" refers to a product that has obtained a listing at retail or food service, domestically or internationally. It also includes products that have been sold as ingredients for further manufacturing. Value-added includes value-added food, beverage and bio-industrial products.

Calculation method
An annual Measure Report is prepared from the data supplied by four divisions in the Industry Development Sector: Food Processing Development, Commercialization, Agri-Business Expansion and Bio-Industrial Technologies. The total number of value-added products involving project work conducted by Industry Development Sector staff and successfully introduced to market by industry, as listed in the annual Measure Report, is counted and reported.

Data limitations
The successful launch of new products may take several months after new product development work is completed. This time frame may result in some products being recorded in a fiscal year different than the year in which the product development work occurred. There is also no weighting done in terms of value. That is, the measure simply records the number of products introduced to market and does not attempt to reflect the value of sales generated.

The data is limited to project work of the Industry Development Sector, as this sector works directly with industry clients on value-added products. No attempt is made to measure indirect work done with industry clients by staff in the Industry Development Sector or other sectors in the Ministry that may have resulted in a value-added product.

1b Research and development investment by collaborators leveraged through Ministry resources.

This measure is an attempt to demonstrate the dollar value of investment by collaborators in research and development initiatives (R&D) involving Ministry resources. Collaborators include industry organizations, private companies, universities and government agencies. The Ministry has four program areas that cover R&D activities. They are value-added processing, livestock development, crop diversification and environmental stewardship.

This measure provides an indication of the Ministry success in building partnerships and leveraging its resources in R&D with cash contributions from collaborators. To make the best possible use of resources and to more effectively respond to industry needs, Ministry scientists explore all possible opportunities to form partnerships with scientists from outside organizations. These relationships allow them to leverage funds and expand the pool of scientific talents that are devoted to research.

Calculation method

The Ministry's Policy Secretariat prepares a report annually of Ministry R&D and related scientific activities (RSA). Results from the Ministry contribute to an annual review of government R&D conducted by Alberta Innovation and Science (I&S). The data is also used in responding to a Statistics Canada annual survey. Statistics Canada uses the survey results as indicators of national science and technology activities. In preparing the Ministry's response to I&S's annual review, the Policy Secretariat co-ordinates responses from eight Ministry divisions that are involved in R&D and RSA. The questionnaire collects information on the participating division's fiscal year R&D expenditures and corresponding levels of collaborator funding.

Data limitations

The distribution of questionnaires is limited to eight Ministry divisions that have been determined to account for the Ministry's R&D and RSA activities in four program areas. The four areas are value-added processing, livestock development, crop diversification and environmental stewardship. Although data on in-kind contributions from collaborators is collected, this measure only reflects cash contributions from collaborators. As a result, it likely understates the 'true' total of leveraged resources invested by collaborators. However, reported in-kind contributions are less reliable as they are based on estimates (often subjective in nature).

1c Investment supported by AFSC lending services.

This measure reports the total dollar investment in rural business (including farm lending) as a result of AFSC's involvement in financing and consulting services. AFSC not only has direct lending products that can result in investment, but also a number of alliance partnerships with organizations, such as Farm Credit Canada and Credit Union Central, to help facilitate investment in rural business. Dollar investment would be defined as any fund (i.e., debt, equity, investment) that would be used to support the growth of rural business. The purpose of this measure is to determine the total dollar investment as a result of AFSC's involvement in the facilitation of capital investment in rural businesses (including farm lending) through its lending products, services and partnerships.

Calculation method

Rural agri-business investments (from all sources is included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party) are added up and reported as total dollar investment in rural businesses. Farm lending amounts (direct loans only) are reported through AFSC's computer system and summarized by year. The two amounts, total investment in rural business and total amount of farm loans, make up the total in the 2005-06 actuals.

Data limitations

None reported.

Goal 2: Continued Excellence in Food Safety

2a Number of surveillance programs that identify hazards in food production.

This measure tracks active projects that identify the presence of hazards in food at any stage of the continuum (from farm to fork). This measure does not include method development projects, animal health or market access projects. Nor does it include ongoing food safety programs.

Calculation method

The figure provided for this measure is derived from the Food Safety Division entries in the Ministry's Project Reports database. The number of surveillance programs that identify hazards in food production is determined from a straight accounting of active surveillance programs within that fiscal year recorded in the database. The responsible reporting party reviews the final tally of active food safety projects for accuracy.

Data limitations

Surveillance programs may begin and end in different fiscal years; as a result there may be a variety of projects in different stages of implementation and completion. So as a result, in one given year, projects that are completed may have been started in one or more years previous. As such, a single project may be included in the total figure for this measure for more than one year.

2b Per cent of Alberta production produced under on-farm food safety programs: chicken farms, hog farms and beef feedlots.

The purpose of this measure is to facilitate the adoption of internationally accepted food safety systems in the production of Alberta food. On-farm food safety programs are preventative Hazard Analysis Critical Control Point (HACCP) based programs that enable systematic review and control of food safety hazards through good production practices during primary production.

Food safety programs belong to national producer organizations and provincial producer groups, delivery agents or boards who work with producers of that commodity. These groups, agents or boards collect data on the producer's implementation of OFFS programs and work with the Ministry to provide the data required when requested. Data collected may include the number of producers enrolled in the OFFS program, the number of producers who have participated in OFFS workshops and the number of producers who have been audited and certified/recognized (terms to denote producers who have successfully been audited vary by commodity with terms such as recognized and certified).

Calculation method

For each livestock commodity, the figures for total production under OFFS programs (provided by each producer group) are divided by total production in the province (provided by Statistics Canada).

Data limitations

- Total Alberta production under OFFS figures are collected and maintained by producer groups and provided to Ministry staff upon request.
- Percentages for hogs produced under OFFS are based on estimated or preliminary numbers.
- Program staff from Alberta Beef Quality Starts Here do not track and are unable to provide production numbers for cattle produced in beef feedlots under OFFS.
- Figures for total Alberta production under OFFS and total Alberta production may not be available in the same year format (e.g. calendar vs. fiscal year), in the same units (head vs. weight), for the same weight or age class and may not be available for the same domestic/ import/export class.

2c Per cent of Alberta licensed food production facilities that have added a preventative system to their existing food safety system: meat and dairy.

This measure tracks the success of Ministry staff in their efforts to encourage Alberta meat and dairy processors to improve the existing food safety system, by ensuring that Alberta licensed red meat and dairy processors have the information and support they need to enhance their facility's food safety system in a voluntary environment. For the purposes of this measure, a preventative system is a system, or any component of a system, that results in an improvement to the food safety practices or food safety process control record keeping of the facility. In 2005-06, records and documentation procedures were the component tracked in red meat processing facilities.

Calculation method

The total number of provincially licensed red meat or dairy processing facilities that have added a preventative system is divided by the total number of provincially licensed red meat or dairy processing facilities. Data on the addition of preventative systems by provincially licensed meat and dairy processing plants are obtained from the Regulatory Services Division audit records and trip reports.

Data limitations

No formal audit or inspection program for Alberta red meat processing facilities existed for the 2005-2006 fiscal year. However, transitional inspection/partial audits of red meat facilities began in the late fall of 2005. The workload for audit staff, both audit and non-audit duties, made it unfeasible to perform regular monthly inspections/audits or audits of all meat facilities. There were four "appointed" auditors (one in each of the four regions). They could not inspect/audit on a monthly basis because they had several other duties. As a result, they focused most of the audits/ inspections on red meat because the red meat plants are higher risk operations when compared to poultry.

No formal audit program for Alberta licensed dairy processing plants existed for the 2005-2006 year. There were inspections to ensure compliance to regulations, and staff did work with dairy processors to provide information and support for preventative system improvements, but no audits of preventative systems were undertaken.

Core Business Two: Enhance Rural Sustainability

Goal 3: Improved Environmental Stewardship

3a Percentage of producer survey respondents who have adopted improved environmentally sustainable agriculture practices (formal evaluation every three years; next survey to be completed in 2006-07).

A formal survey, including telephone survey and written responses, of approximately 500 producers is conducted every three years. This survey addresses awareness, attitudes and adoption of environmentally sustainable agriculture (ESA) practices, and any impact that the Alberta (AESA) program may have had.

The survey sample was drawn from a list of farmers maintained by the Ministry. Any producer who signed up for the Farm Fuels program and who agreed to let their name stand for the purpose of being contacted for research and consultations conducted by the Ministry was included. The total list stands at 4,431 names or about 10 per cent of the population with over $10,000 in gross annual sales (43,563), as reported by the 2001 Census of Agriculture by Statistics Canada. This list has not been updated since 1998. Overall, the response rate for the phone survey was 22 per cent of all numbers dialed. The refusal to completion ratio was 0.72:1.00.

Five hundred farmers participated in the telephone survey, and 268 (56%) of these completed a follow-up mail survey. The margin of error for a sample size of 500 is +/- 4.4 per cent, while the margins of error for the regional samples of 100 are +/-10.0 per cent. In other words, if this survey were conducted 20 times, the responses would be within the stated margins of error 19 times out of 20. For the mail portion of the survey, a sample size of 268 yields a margin of error of +/-6.1 per cent.

Calculation method
Data analysis consisted of grouping the data according to the following headers:

- region (five regions)
- gross farm revenue in 2003 (under $25,000, $25,000 to $99,999 and $100,000 and over)
- farm type (crop-only, livestock-only and mixed)
- stage of farm operation (three groupings)
- farmer education and training
- attitude cluster (three types)

Cluster analysis is a statistical technique used in market research to group or segment respondents into "like" categories based on their pattern of response to the series of 25 attitude statements asked on an agree/disagree scale. In this case, a seven-point scale was used, and three clusters were identified.

Data Limitations
The survey is conducted every three years. As such, results can only be reported for the years in which the survey is conducted.

3b Number of producers provided with specific training and technical support to enable development of environmental farm plans.

This is a measure of the uptake of specific training targeted towards environmental farm plan (EFP) development. Once completed, EFPs are an indication of the uptake of and improvement in environmental stewardship planning on Alberta farms.

Producers are required to participate in two training workshops to enable them to develop an EFP for their farming operation. This training is provided by the Alberta Environmental Farm Plan (AEFP) Company, through financial and technical support from Alberta Agriculture, Food and Rural Development (AAFRD) and Agriculture and Agri-Food Canada (AAFC). The AEFP Company is a tripartite partner with AAFC and AAFRD on the Environment Chapter of the Agricultural Policy Framework. Once a producer has completed both workshops, he/she is then eligible to complete an EFP and is counted under this measure.

Calculation method
The calculation is a cumulative addition of participants completing both Workshop I and II of the Alberta Environmental Farm Plan Program as reported in the fourth quarter report for fiscal 2005-06 of the AEFP Company.

Data limitations
None. This is a straightforward cumulative total, based on the fourth quarter report for fiscal 2005-06 for the AEFP Company. Information in the annual report is auditable and forms the basis for operational payments from AAFC to the AEFP Company.

Goal 4: Strengthened Rural Communities

4a Number of rural businesses assisted by AFSC lending services.

This measure tracks the impact of AFSC's involvement in supporting the growth of businesses in rural Alberta by counting the total number of rural businesses that receive financial assistance as a result of AFSC's involvement in financing and consulting services. A rural business is defined as any business outside Edmonton or Calgary.

Calculation method
AFSC maintains records of rural businesses assisted as part of its regular monthly reporting including the Account Manager involved and the business involved. This measure is a simple summation of all rural businesses securing financing, facilitated by AFSC lending services, as reported in AFSC's records.

Data limitations
None.

4b Total investment leveraged in rural businesses facilitated through AFSC lending services.

This measure determines the total dollar investment in rural Alberta business as a result of AFSC's involvement with the facilitation of capital investment through its lending products and partnerships. Rural businesses are any businesses outside Edmonton or Calgary. AFSC has direct lending products that can result in investment, as well as a number of alliance partnerships to help facilitate investment in Alberta business.

Calculation method
AFSC maintains records of incremental investment as part of its regular monthly reporting including the Account Manager involved and the business involved. Incremental investment in rural Alberta business from all sources is included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party and reported as total dollar investment in rural Alberta business. The calculation for this measure is a summation of incremental investment in rural Alberta business from all sources, as reported in AFSC's records.

Data limitations
None.

4c Percentage of Ministry supported, agricultural-related community activities that focus on leadership development.

The information reported for this measure is collected from three sources: the Agricultural Society Program, the 4-H Program and the Agricultural Initiatives Program. In an effort to improve the efficiency and effectiveness of the Agricultural Society Program, both the number and diversity of activities undertaken by agricultural societies are measured. Program guidelines and procedures are designed to increase both the number and the effectiveness of the leadership activities without increasing the overall funding envelope. The Agricultural Society Program collects information on activities, volunteer hours and attendance from individual agricultural societies by means of a voluntary report form.

The Agricultural Society Program collects information on activities, volunteer hours and attendance from individual Agricultural Societies by means of a voluntary report form. The information is collected based on each agricultural society's fiscal year, usually the calendar year before the Government's fiscal year. Program event and the number of attendants are collected for the 4-H data. This collection comes from the quarterly reports submitted by 4-H staff on their

programs. All 4-H programs are categorized as leadership development. The Agricultural Initiatives Program is administered by Ministry staff, and applications are categorized according to the methodology outlined below. Data are collected on an ongoing basis and reported according to the Government of Alberta fiscal year.

The Agricultural Initiatives Program (AIP) applications were categorized according to the calculation method.

Calculation method
Responses from the Agricultural Societies Report Form are collected and returned to the Agricultural Society Program. The data is then entered into the AgSocactivities database. All activities are coded into categories. The data is further aggregated into the following activity areas:

- **Agriculture related activities** – refers to activities such as rodeos, fairs and livestock shows.
- **Ag business development** – includes any activities that promote agricultural business development and the development of the agriculture industry.
- **Ag education and skill development** – includes programs or projects that foster awareness of agriculture or improve/develops skills within the community.
- **Leadership development** – includes training for volunteer staff, fees for conferences workshops and seminars as well as sponsoring youth leadership development.
- **Community improvements** – includes any capital funding for infrastructure development and renovations, repairs and maintenance of infrastructure and operating costs of facilities as well as all capital projects from the AIP grant program.

The percentage of activities in the Leadership Development category is then calculated from the total of all activities.

Data limitations
Leadership skills take years to develop, and the results of the effective use of those leadership skills may take years longer to manifest. Therefore, it is very difficult to measure outcomes on an annual basis. As such, this is an output measure with no real indication of the results of these activities. The return rate of voluntary report forms is less than 100 per cent. Therefore, the results reflect only those Agricultural Societies that reported their activities.

4d Percentage of rural youth and adults participating in Ministry supported programs that report effective learning from those programs.

Ministry supported 4-H programming includes all 4-H programs and events coordinated, supervised and initiated by department staff. The 4-H Branch has been using KASA measurements for a number of years. KASA measures positive changes in Knowledge, Attitudes, Skills and Aspirations.

The measure is used to provide feedback on the effectiveness of 4-H programs. The numbers are analyzed and efforts are made to maintain the KASA results each year. The results of this measure are used to determine changes required to the program content in order to increase the KASA results. Each program is designed to meet different objectives. In total, 23 objectives have been defined, including personal development and self-esteem, learning communication and presentation skills, demonstrating technology transfer, appreciating history, heritage and community as well as learning rural/economic renewal.

Calculation method
The data for this measure is obtained through the use of written evaluations at each program. Certain questions, used to measure KASA, are consistently asked on evaluations. The results are compiled and stored electronically in a database, with the hard copies stored separately. Each question on the survey requires the participant to select from various responses or to provide a short written response. A "Yes" response is considered to be a positive change, A "No" or "Unsure" is not considered positive change. An "NA" is not considered in the response calculation. Answers to the short response questions are considered positive if they are answered with a definite response (for example, The skill I learned was...). If there is no answer, or a nonsense answer, the response is considered to be negative.

Data limitations
Completion of evaluations is voluntary, but most programs have a 95 to 100 per cent return rate. A small portion of the 4-H members may reside in urban centres.

Core Business Three: Strengthen Business Risk Management

Goal 5: Effective Risk Management Decisions by Agricultural Business Managers

5a Percentage of managers surveyed indicating the use of risk management tools for improved decision making.

For the purpose of this measure, managers refer to primary producers in Alberta who were most responsible for management decisions on their farms and whose gross farm income was $50,000 or more in 2004. This measure was designed to determine the percentage of producers that a) are using risk management tools and b) report improvement in their ability to make effective decisions. A risk management tool is defined as an analytical process or a decision aid. Risk management tools can be used to identify and measure risk and to assess alternative strategies, technologies and practices.

Calculation method
Data were collated from the 2006 Risk Management Survey, an Agricultural Risk Management Survey prepared for the Ministry's Strategy and Business Planning Division by Serecon Management Consulting Inc., in April 2006. Respondents to the survey were selected from a purchased list of commercial farmers maintained by Farm Business Communications (publishers of several prominent farm periodicals) as well as an Internet search for small commodity producers. It is assumed that farmers on this list are representative of the general population of Alberta farmers.

A frequency analysis was used to calculate a benchmark for this measure.

The calculation is the product of:

- The number of respondents that indicated the use of at least two of options 1, 2, 4 and 5 in question 17 of the survey, ***and***
- The number of respondents that in question 18 of the survey indicated "great" or "some" improvement in their "ability to make better risk management decisions."
- The product of these two numbers, adjusted by the weight assigned to each respondent based on region and gross farm income, is the proposed benchmark.

Options 1, 2, 4 and 5 were selected to represent a more-sophisticated level of risk management decision-making than would be the case if all 7 options were included. Statistical calculations related to the measure have a margin of error of +/- 3.6 per cent.

Data limitations

Data limitations include non-subscribers to Farm Business Communications (the source of the original survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong phone numbers, answering machines, busy, no answer, etc.) and non-response/failure to return mail survey. The target population was based on 2001 Census of Agriculture, and obsolescence is a major concern.

Goal 6: Effective Support Programs for Industry Stability

6a Per cent of eligible seeded acres for major crop categories insured under production insurance for annual crops and perennial crops.

The purpose of this measure is to examine the use of crop insurance to mitigate the business risk of growing annual and perennial crops. Annual crops refer to those that are seeded every year. Perennial crops refer to crops that do not need to be seeded every year and last for several years. "Eligible crops" are insurable under the crop insurance program. Approximately 99.7 per cent of acres seeded in Alberta are sown to eligible crops.

Calculation method

Data for this measure were collected from three sources, Statistics Canada, 2001 Census of Agriculture, the Agri-Food Statistics Update, December 14, 2005, supplied by Statistics Canada and prepared by the Statistics and Data Development Unit, Alberta Agriculture, Food and Rural Development and the Production Insurance (PI) Program Management System, a secured program management application, accessible only by AFSC staff.

To determine the percentage of eligible seeded acres, the total eligible seeded acres for each crop category (annual and perennial) insured under the crop insurance program for the year under review is calculated by summation, from the data provided from the PI Program Management System. The total eligible seeded acres in Alberta are then calculated from the Statistics Canada data sources, above. The total insured acres are then divided by the total eligible acres for each crop category.

Data limitation

The Census of Agriculture data for pasture land was based on 2001 data from producers. Some changes in acreage would be expected since that time.

6b The per cent of Alberta farm cash receipts represented by Alberta participants in the Canadian Agricultural Income Stabilization Program.

The intent of this measure is to determine the participation of producers in the Canadian Agricultural Income Stabilization (CAIS) Program for the 2004 tax year and, over time, to determine the participation of producers in the CAIS Program on an ongoing basis. CAIS participants are those that have elected to participate in CAIS by filing an options notice and have supplied tax information and supplementary information by the appropriate deadlines. Farm cash receipts include market receipts and program payments.

Calculation method

Data for this measure were collated from two sources, the Statistics Canada's Agriculture Value Added Account June 2006 and the CAIS Program Management System, a secured program management application accessible only by AFSC staff. Program summary data, provided by AFSC, Lacombe, includes all information up to the date it was extracted.

To determine the reported result, the total amount of farm cash receipts represented by CAIS participants in Alberta for 2004 is divided by the total farm cash receipts for Alberta for 2004. Total gross income for authorized claims for CAIS participants for the 2004 tax year is $7,596,102,388. The total farm cash receipts for Alberta for 2004 were $8,008,000,000. The division of these two numbers results in a percentage of 94 per cent.

Data limitations

Information provided by the Ministry is a preliminary estimate and may change slightly as more data is accumulated.

Financial Information

Financial Statements

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture, Food and Rural Development as at March 31, 2006 and the consolidated statements of operations and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 19, 2006

Consolidated Statement of Operations for the Year Ended March 31, 2006
(in thousands)

	2006 Budget	2006 Actual	2005 Actual
Revenues			
Transfers from Government of Canada	$ 354,630	$ 299,091	$ 506,215
Premiums from insured persons	158,521	141,524	135,941
Interest and investment income	86,434	82,686	80,674
Fees, permits, licenses and other income	10,432	30,353	52,274
Internal government transfers	22,220	22,220	16,620
Reinsurance recoveries	–	10	2,163
Ministry revenue	**632,237**	**575,884**	793,887

continued

continued

Consolidated Statement of Operations for the Year Ended March 31, 2006
(in thousands)

	2006 Budget	2006 Actual	2005 Actual
Expenses (Schedule 1)			
Program –			
Farm income support	334,434	491,758	529,654
Insurance	418,004	255,290	284,382
BSE recovery program	133,190	18,853	147,225
Industry development	48,928	85,514	137,917
Sustainable agriculture	55,587	56,548	46,354
Planning and competitiveness	46,241	44,188	37,083
Farm fuel distribution allowance	33,500	33,295	32,637
Lending	33,179	27,350	30,318
Infrastructure assistance	27,000	29,442	23,815
Ministry support services	18,553	19,889	17,841
Program expense	**1,148,616**	**1,062,127**	1,287,226
Other –			
Debt servicing costs	53,279	44,849	45,057
Valuation adjustments	2,427	(2,175)	3,801
	55,706	**42,674**	48,858
Ministry expense	**1,204,322**	**1,104,801**	1,336,084
Loss on disposal of tangible capital assets	–	21	1,217
	–	**21**	1,217
Net operating results	**$ (572,085)**	**$ (528,938)**	$ (543,414)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position as at March 31, 2006

(in thousands)

	2006	2005
Assets		
Cash	$ 163,501	$ 76,278
Accounts receivable	143,939	128,020
Due from Government of Canada	372,365	411,355
Loans receivable *(Schedule 2)*	973,088	977,466
Investments *(Schedule 3)*	238,459	171,229
Tangible capital assets *(Schedule 4)*	63,921	58,661
	$1,955,273	$1,823,009
Liabilities		
Accounts payable and accrued liabilities	$ 103,024	$ 242,630
Indemnities payable	456,883	449,849
Allowance for loan guarantees	3,428	3,790
Unearned revenue	3,278	3,540
Deferred contributions *(Note 3)*	7,730	10,861
Due to Crop Reinsurance Fund of Canada for Alberta	16,630	13,737
Notes and interest payable to the Province of Alberta *(Schedule 5)*	897,059	910,653
	1,488,032	1,635,060
Net Assets		
Net assets at beginning of year	187,949	66,867
Net operating results	(528,938)	(543,414)
Net transfer from general revenues	808,230	664,496
Net assets at end of year	**467,241**	187,949
	$1,955,273	$1,823,009

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended March 31, 2006
(in thousands)

	2006	2005
Operating Transactions		
Net operating results	$ (528,938)	$ (543,414)
Non-cash items	2,732	7,362
Proceeds on disposal of non-capital assests	93	111
Net change in operating assets and liabilities	(113,597)	(30,797)
Cash applied to operating transactions	**(639,710)**	(566,738)
Capital Transactions		
Acquisition of tangible capital assets	(14,987)	(13,493)
Transfer of tangible capital assets	(7)	(139)
Disposal of tangible capital assets	468	317
Cash applied to capital transactions	**(14,526)**	(13,315)
Investing Transactions		
Proceeds from repayments of loans receivable, advances and sale of properties	190,142	181,119
Loan and advance disbursements	(184,198)	(171,979)
Purchase of investments	(680,013)	(523,780)
Proceeds on disposal of investments	614,452	454,501
Cash applied to investing transactions	**(59,617)**	(60,139)
Financing Transactions		
Borrowing from the Province of Alberta	568,581	1,828,362
Repayment of borrowing from the Province of Alberta	(584,385)	(1,840,186)
Government of Canada funding for capital assets	3,432	619
Province of Alberta funding for capital assets	5,218	954
Net transfer from general revenues	808,230	664,496
Cash provided by financing transactions	**801,076**	654,245
Increase in cash	87,223	14,053
Cash, beginning of year	76,278	62,225
Cash, end of year	**$ 163,501**	**$ 76,278**

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2006

Note 1 Authority and Purpose

The Minister of Agriculture, Food and Rural Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries.

(a) Reporting Entity

The Minister of Agriculture, Food and Rural Development administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture, Food and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture, Food and Rural Development (the Department)	*Government Organization Act*
Agriculture Financial Services Corporation, *including the Crop Reinsurance Fund of Alberta* (the Corporation)	*Agriculture Financial Services Act*

The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(c) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Expenses

Directly Incurred – Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability, as reflected in the Government's budget documents.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.
- provision for doubtful accounts and guarantees. The provision includes amounts established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others – Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7.

Assets – Cash consists of deposits in the Consolidated Cash Investment Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; due to Crop Reinsurance Fund of Canada for Alberta; accounts payable and accrued liabilities; and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of loans receivable; investments; and notes and interest payable to the Province of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is another than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

Liabilities – Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets – Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Measurement Uncertainty *(in thousands)* – Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Accounts Receivable – Accounts Receivable, recorded as $143,939 in these financial statements, includes $88,502 for estimated overpayments for the Canadian Agricultural Income Stabilization (CAIS) program that is subject to measurement uncertainty. The amount could change substantially in the future if factors considered by management in establishing the estimate for the CAIS program overpayments were to change significantly. The estimate of $88,502 is for CAIS program participants who received advance payments but who have not yet had their final claim processed by the Corporation. The estimate is based on historical experience.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

CAIS overpayments are non-interest bearing until December 31, 2006. Participants will receive a rebate if they repay the CAIS overpayment within 90 days of the overpayment notification or they can convert the overpayment to an interest-bearing loan up until December 31, 2006. If the overpayment is not repaid or converted to a loan, the Corporation will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Corporation as well as programs administered by the Province of Alberta and the Government of Canada.

Loans Receivable – Loans receivable, recorded as $973,088 in these financial statements, are subject to measurement uncertainty. The amount established for specific and general allowances of $37,430 to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

The majority of the Corporation's loan portfolio is with beginning and developing business operations and hence, is subject to high risk. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages based on risks and applies them to loan receivable balances. Risk is based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

Indemnities Payable – Estimated indemnities payable, recorded as $456,883 in these financial statements, and corresponding indemnities expense and contributions and receivables from the Government of Canada are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in estimated indemnities payable are CAIS indemnities amounting to $449,222. This includes estimated payments for the 2005 claim year of $318,310 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the fiscal year end. CAIS program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2005 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2005 claim year is based on the number of farm operations participating in the program during the 2004 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2004 and 2005. If the 2005 estimated program margins were to increase by 5%, the estimated indemnities payable for the 2005 claim year would decrease by $12,000. If the 2005 program margins were to decrease by 5% the estimated indemnities payable for the 2005 claim year would increase by $14,000.

CAIS indemnities payable includes estimated payments of $46,010 for claims received but not processed for the 2003 and 2004 claim years. The estimates for the 2003 and 2004 claim years are based on the number of claims received but not yet processed and the estimated average payment per claim.

CAIS indemnities payable also includes estimated payments of $84,902 for the 2003, 2004 and 2005 claim years. The estimate is for claims not yet processed that may receive an increased payment as a result of a change in the way support levels are determined. The estimate is based on the historical payment ratio for claims processed.

Note 3 Deferred Contributions

(in thousands)

Deferred contributions consist of Premiums from Insured Persons of $7,730 (2005 – $10,861).

Note 4 Credit and Interest Risk

Credit Risk – Credit risk is the risk that debtors may not pay amounts owing to the Ministry. To manage this risk, the Ministry closely monitors and counsels high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

Note 4 Credit and Interest Risk (continued)

The concentration of credit risk for insurance contracts held with reinsurers is monitored through a reinsurance broker who also evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

Interest Risk – Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

The gaps between the loans receivable and notes and interest payable to the Province of Alberta represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2006. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

	Term to Maturity [1]				Not Interest Rate Sensitive [2]	2006 Total	2005 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	(in thousands)						
Farm loans	$ 71,212	$266,913	$235,956	$240,743	$ (4,492)	$810,332	$812,138
Yield [3]	6.85%	6.53%	6.63%	6.25%	–	6.59%	6.87%
Commercial loans	$ 56,561	$ 94,032	$ 12,345	$ –	$ (186)	$162,752	$165,322
Yield [3]	7.00%	7.73%	5.30%	–	–	6.94%	7.17%
Rural utilities	$ 4	$ –	$ –	$ –	$ –	$ 4	6
Total	$127,777	$360,945	$248,301	$240,743	$ (4,678)	$973,088	$977,466
Yield [3]	6.87%	6.57%	6.61%	6.25%	–	6.61%	6.89%
Notes payable Province of Alberta	$158,704	$414,143	$222,144	$ 92,444	$ 9,624	$897,059	$910,653
Yield [3]	5.34%	5.35%	5.33%	5.20%	–	5.34%	5.50%
Net gap before pre-payment adjustment	$(30,927)	$(53,198)	$ 26,157	$148,299	$(14,302)	$ 76,029	$ 66,807
Estimated prepayment	42,957	72,475	(23,375)	(92,057)	–	–	–
Net gap	$ 12,030	$ 19,277	$ 2,782	$ 56,242	$(14,302)	$ 76,029	$ 66,807

(1) For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual or annual installments of principal.

(2) Includes general provisions, accrued interest and unamortized loan discount.

(3) For notes payable, yield represents the rate which discounts future cash receipts to the carrying amount. For loans, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

This gap analysis does not include the investment portfolio because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Note 5 Contingent Liabilities

(in thousands)

At March 31, 2006, Ministry entities are defendants in ten legal claims (2005 – seven legal claims). These claims have specified amounts totalling $6,072 (2005 – $2,526). Included in the total legal claims is one claim amounting to $1,332 (2005 – one claim amounting to $1,332) in which the Ministry has been jointly named with other entities. Two claims amounting to $4,533 (2005 – one claim amounting to $1,332) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

The Ministry has a contingent liability in respect of a claim concerning the methodology used to calculate pension benefit payments under the Public Service Pension Plan (PSPP). The claim has been filed jointly and severally against the Province of Alberta and the employers participating in the PSPP. The claim specified an amount of $1,250,000.

Note 6 Contractual Obligations

	2006	2005
	(in thousands)	
Approved, undisbursed loans	$36,914	$42,861
Estimated farm loan incentives	15,569	14,612
Reinsurance	15,500	15,615
Grants	4,447	3,035
Service contracts	3,719	2,068
Operating leases	1,003	1,371
Building costs	–	217
	$77,152	$79,779

The operating lease commitments are for accommodations with terms up to five years.

Note 7 Guarantees

	2006	2005	Expiry Date
	(in thousands)		
Feeder associations	$49,675	$48,820	Ongoing
Agriculture Financial Services Corporation guarantees	29,939	34,716	Variable
Rural Utilities Act	183	370	Ongoing
Agricultural Societies Act	12	29	2015
	79,809	83,935	
Allowance for loan guarantees	(3,428)	(3,790)	
	$76,381	$80,145	

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Note 8 Trust Funds Under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Since the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's consolidated financial statements. As at March 31, 2006 trust funds under administration were as follows:

	2006	2005 (Restated)
	(in thousands)	
4-H General Trust	$ 51	$ 85
Wheat Board Monies Trust Fund	96	97
Claude Gallinger Memorial Trust Fund	23	24
	$170	$206

Note 9 Defined Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of $7,859 for the year ended March 31, 2006 (2005 – $6,907).

At December 31, 2005 the Management Employees Pension Plan reported a deficiency of $165,895 (2004 – $268,101) and the Public Service Pension Plan reported a deficiency of $187,704 (2004 – $450,068). At December 31, 2005, the Supplementary Retirement Plan for Public Service Managers had a surplus of $10,018 (2004 – $9,404).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2006, the Bargaining Unit Plan reported an actuarial deficiency of $8,699 (2005 – $11,817) and the Management, Opted Out, and Excluded Plan an actuarial surplus of $8,309 (2005 – $3,208). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10 Comparative Figures

Certain 2005 figures have been reclassified to conform to the 2006 presentation.

Note 11 Budget

The 2005-2006 Government and Lottery Fund Estimates were approved on June 2, 2005.

Note 12 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2006

Schedule 1

(in thousands)

	2006 Budget	2006 Actual	2005 Actual
Grants	$ 270,509	$164,131	$ 334,038
Indemnities	657,803	638,984	720,436
Salaries, wages, employment contracts and benefits	122,459	119,566	119,111
Interest	59,070	49,732	45,057
Supplies and services	68,327	66,672	60,474
Amortization of tangible capital assets	8,114	9,245	8,050
Other expenses	15,613	58,646	45,117
Valuation adjustments	2,427	(2,175)	3,801
Total	$1,204,322	$1,104,801	$1,336,084

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Loans Receivable for the Year Ended March 31, 2006

Schedule 2

(in thousands)

	2006	2005
Loans receivable	$ 989,409	$ 999,050
Accrued interest	24,946	25,701
	1,014,355	1,024,751
Less allowance for doubtful accounts	(37,430)	(42,745)
Less accrued incentives	(2,279)	(2,451)
Less loan discounts	(1,558)	(2,089)
	$ 973,088	$ 977,466

The allowance for doubtful accounts of $37,430 (2005 – $42,745) includes a specific allowance for $9,204 (2005 – $12,853) on impaired loans outstanding of $26,120 (2005 – $24,647), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2006 is $981,203 (2005 – $967,192). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Investments for the Year Ended March 31, 2006

Schedule 3

(in thousands)

	2006	2005
Bonds and debentures		
Government of Canada, direct and guaranteed	$141,546	$124,308
Other provincial, direct and guaranteed	15,742	14,293
	157,288	138,601
Corporate securities	78,520	31,075
	235,808	169,676
Accrued interest	2,651	1,553
	$238,459	$171,229

	Term to Maturity [1]					
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	2006 Total	2005 Total
Bonds and debentures	$22,487	$116,610	$10,153	$8,038	$157,288	$138,601
Yield [2]	3.70%	3.84%	4.65%	5.64%	3.69%	3.98%
Securities	–	37,451	41,069	–	78,520	31,075
Yield [2]	0.00%	4.46%	4.45%	–	0.00%	5.15%
	22,487	154,061	51,222	8,038	235,808	169,676
Accrued interest	180	1,435	936	100	2,651	1,553
	$22,667	$155,496	$52,158	$8,138	$238,459	$171,229

The fair value of investments at March 31, 2006 is $238,183 (2005 – $173,697). Fair value is based on quoted market prices including accrued interest.

(1) Term to maturity classifications are based on contractual maturity date of the security.

(2) Yield represents the rate which discounts future cash receipts to the carrying amount.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Tangible Capital Assets for the Year Ended March 31, 2006

Schedule 4

(in thousands)

	Estimated Useful Life	Cost	2006 Accumulated Amortization	Net Book Value	2005 Net Book Value
Land	Indefinite	$ 469	$ –	$ 469	$ 793
Land imporvements	10-40 years	452	18	434	–
Buildings	40 years	11,080	2,048	9,032	9,185
Equipment*	5-10 years	33,738	17,022	16,716	16,212
Computer hardware and software	3-5 years	45,727	22,729	22,998	16,709
Rail hopper cars	35 years	50,425	36,153	14,272	15,762
		$141,891	$77,970	$63,921	$58,661

* Equipment includes heavy equipment, vehicles, furniture and assets under construction.

Computer hardware and software includes $8,107 (2005 – $428) for software development and equipment includes $408 (2005 – $0) for development of lab equipment that has not been amortized during the period.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Notes and Interest Payable for the Year Ended March 31, 2006

Schedule 5

(in thousands)

Notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2006	Effective Interest Rate	2005
Within 1 year	2.57% - 5.54%	$ 92,843	2.45% - 5.53%	$137,020
1 to 5 years	3.75% - 5.93%	263,492	2.57% - 5.54%	189,374
6 to 10 years	4.26% - 7.64%	192,358	4.28% - 7.64%	274,193
Over 10 years	4.43% - 6.52%	335,395	5.04% - 6.52%	298,898
Accrued Interest		12,971		11,168
		$897,059		$910,653

Net unamortized discounts of $3,347 (2005 – $3,724) are included in the balances disclosed.

The approximate fair value at March 31, 2006 is $922,702 (2005 – $950,615). Fair values for notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the notes are sold, there will be a limited pool of these securities trading in the market; and that the notes would be new to the market and are not direct issues of the Province; a factor to reflect the blended payment structure of the notes.

Scheduled principal repayments in each of the next five years are as follows:

Year ending March 31,	2007	$158,704
	2008	87,629
	2009	159,688
	2010	56,088
	2011	110,738
		$572,847

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2006

Schedule 6

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2006	2005
Revenues		
Grants	$22,220	$16,620
Other	1,224	880
	$23,444	$17,500
Expenses – directly incurred		
Grants	$406	$ 249
Accommodation	1,268	1,402
Other services	7,441	7,684
Interest	44,849	45,057
	$53,964	$54,392
Tangible capital assets transferred from Innovation and Science	$ 7	$ 139

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 7.

	2006	2005
Expenses – incurred by others		
Accommodation	$13,327	$12,735
Other services	486	349
	$13,813	$13,084

Note: The Ministry receives services under contracts managed by the Ministry of Restructuring and Government Efficiency. Any commitments under these contracts are reported by the Ministry of Restructuring and Government Efficiency.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Allocated Costs for the Year Ended March 31, 2006

Schedule 7

(in thousands)

	2006							2005
		Expenses – Incurred by Others		Valuation Adjustments [4]				
Program	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Vacation Pay	Doubtful Accounts	Guarantees	Total Expenses	Total Expenses
Insurance	$ 255,290	$ –	$ –	$ –	$ 280	$ –	$ 255,570	$ 284,422
Farm income support	491,758	–	–	–	–	–	491,758	529,654
BSE recovery program	18,853	–	–	–	–	–	18,853	147,225
Industry development	85,514	4,748	118	188	(30)	–	90,538	142,911
Sustainable agriculture	56,548	4,584	147	198	237	–	61,714	50,869
Planning and competitiveness	44,188	2,452	111	(126)	150	–	46,775	41,290
Farm fuel distribution allowance	33,295	–	–	–	–	–	33,295	32,637
Lending	27,350	–	–	–	(2,796)	(362)	24,554	31,875
Infrastructure assistance	29,442	–	–	–	–	–	29,442	23,815
Ministry support services	19,889	1,543	110	86	–	–	21,628	19,404
	$1,062,127	$13,327	$486	$346	$(2,159)	$(362)	$1,074,127	$1,304,102

(1) Expenses – Directly incurred per the Consolidated Statement of Operations, excluding valuation adjustments and debt servicing costs.

(2) Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 6, allocated by budgeted full-time equivalent employment.

(3) Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.

(4) Valuation Adjustments as per Statement of Operations, Employee Benefits, Doubtful Accounts and Guarantees provisions included in Valuation Adjustments were allocated as follows:

- Vacation Pay – allocated to the program by employee.
- Doubtful Accounts Provision – estimated allocation to program.
- Guarantees – estimated allocation to program.

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Agriculture, Food and Rural Development

I have audited the statement of financial position of the Department of Agriculture, Food and Rural Development as at March 31, 2006 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 19, 2006

Statement of Operations for the Year Ended March 31, 2006

(in thousands)

	2006 Budget (Schedule 4)	2006 Actual	2005 Actual
Revenues (Schedule 1)			
Transfers from the Government of Canada	$ 45,977	$ 4,759	$ 75,395
Internal government transfers	22,220	22,220	16,620
Other revenue	6,068	24,366	45,691
Fees, permits and licenses	1,426	1,354	1,313
	75,691	**52,699**	139,019
Expenses – Directly Incurred (Note 2(b) and Schedule 8)			
Voted (Schedules 3 and 5)			
Ministry support services	18,553	19,889	17,841
Planning and competitiveness	46,241	44,188	37,083
Sustainable agriculture	55,587	56,548	46,354
Industry development	48,928	85,514	137,917
Infrastructure assistance	27,000	29,441	23,815
Agriculture assistance –			
Canadian agricultural income stabilization	130,469	291,228	202,323
BSE recovery	133,190	18,853	147,225
Insurance and lending	146,481	178,884	104,082
Farm fuel distribution allowance	33,500	33,295	32,637
Farm income assistance	–	(368)	12,408
Other assistance	7,000	4,090	4,920
	646,949	**761,562**	766,605

continued

continued

Statement of Operations for the Year Ended March 31, 2006
(in thousands)

	2006 Budget (Schedule 4)	2006 Actual	2005 Actual
Statutory (Schedules 3 and 5)			
Valuation adjustments –			
Write-offs and losses	–	–	2
Provision for loan guarantees	–	–	1,204
Provision for vacation pay	–	346	488
Provision for doubtful accounts	–	357	511
	–	703	2,205
	646,949	762,265	768,810
Loss on disposal of tangible capital assets	–	4	52
Net operating results	**$(571,258)**	**$(709,570)**	$(629,843)

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position as at March 31, 2006

(in thousands)

	2006	2005
Assets		
Cash	$ 86	$ 822
Accounts receivable *(Note 3)*	48,283	125,278
Loans and advances *(Note 4)*	8	10
Tangible capital assets *(Note 5)*	31,909	31,914
	$80,286	**$158,024**
Liabilities		
Accounts payable and accrued liabilities *(Note 6)*	$ 88,285	$ 264,421
Unearned revenue	3,278	3,540
	91,563	267,961
Net Liabilities		
Net liabilities at beginning of year	(109,937)	(144,590)
Net operating results	(709,570)	(629,843)
Net transfer from general revenues	808,230	664,496
Net liabilities at end of year	**(11,277)**	(109,937)
	$ 80,286	$ 158,024

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2006

(in thousands)

	2006	2005
Operating Transactions		
Net operating results	$(709,570)	$(629,843)
Non-cash items included in net operating results –		
Amortization	3,780	3,405
Valuation adjustments	703	2,205
Loss on disposal of tangible capital assets	4	52
	(705,083)	(624,181)
Decrease (increase) in accounts receivable	76,638	(63,498)
(Decrease) increase in accounts payable and accrued liabilities	(176,482)	28,792
(Decrease) in unearned revenue	(262)	(1,150)
Cash applied to operating transactions	**(805,189)**	(660,037)
Capital Transactions		
Acquisition of tangible capital assets	(3,816)	(3,999)
Transferred assets	(7)	(139)
Disposal of tangible capital assets	44	47
Cash applied to capital transactions	**(3,779)**	(4,091)
Investing Transactions		
Loans and advances	(8)	(10)
Repayment of loans and advances	10	14
Cash provided by investing transactions	2	4
Financing Transactions		
Net transfer from general revenues	808,230	664,496
(Decrease) increase in cash	(736)	372
Cash, beginning of year	822	450
Cash, end of year	**$ 86**	**$ 822**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2006

Note 1 Authority and Purpose

The Department of Agriculture, Food and Rural Development operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Department of Agriculture, Food and Rural Development, which is part of the Ministry of Agriculture, Food and Rural Development and for which the Minister of Agriculture, Food and Rural Development is accountable. The other entity reporting to the Minister is Agriculture Financial Services Corporation. The activities of this organization are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Dedicated Revenue – Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred – Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Incurred by Others – Services contributed by other entities in support of the Department operations are disclosed in Schedule 8.

Assets – Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other tangible capital assets is $5,000. All land is capitalized.

Liabilities – Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities – Net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Measurement Uncertainty *(in thousands)* – Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

These financial statements include the Department's contribution of $291,228 to Agriculture Financial Services Corporation for the Department's share of program payments under the Canadian Agricultural Income Stabilization (CAIS) program that is subject to measurement uncertainty. The Department's contribution for the CAIS program could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in the Department's contribution toward the cost of the CAIS program are estimated contributions for the 2005 claim year of $127,334 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the end of the fiscal year. CAIS program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2005 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2005 claim year is based on the number of farm operations participating in the program during the 2004 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2004 and 2005. If the 2005 estimated program margins were to increase by 5%, the estimated Department's contribution for the 2005 claim year would decrease by $12,000. If the 2005 program margins were to decrease by 5% the estimated Department's contribution for the 2005 claim year would increase by $14,000.

The Department's contribution includes estimated contributions of $18,404 for claims received but not processed for the 2003 and 2004 claim years. The estimates for the 2003 and 2004 claim years are based on the number of claims received but not yet processed and the estimated average payment per claim.

The Department's contribution also includes estimated contributions of $84,902 for the 2003, 2004 and 2005 claim years. The estimate is for claims not yet processed that may receive an increased payment as a result of a change in the way support levels are determined. The estimate is based on the historical payment ratio for claims processed.

Valuation of Financial Assets and Liabilities – Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Note 3 Accounts Receivable

	2006			2005
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
	(in thousands)			
Accounts receivable	$49,016	$903	$48,113	$125,194
Refunds from suppliers	170	–	170	84
	$49,186	$903	$48,283	$125,278

Accounts receivable are unsecured and non-interest bearing.

Note 4 Loans and Advances

	2006			2005
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
	(in thousands)			
Travel advances	$ 4	$ –	$ 4	$ 4
Loans receivable	6	2	4	6
	$10	$ 2	$8	$10

Note 5 Tangible Capital Assets

		2006			2005
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
			(in thousands)		
Land	Indefinite	$ 122	$ –	$ 122	$ 123
Buildings	40 years	1,739	175	1,564	1,608
Equipment and vehicles	10 years	28,012	13,840	14,172	13,235
Computer hardware and software	3 - 5 years	3,321	1,542	1,779	1,186
Rail hopper cars	35 years	50,425	36,153	14,272	15,762
		$83,619	$51,710	$31,909	$31,914

Computer hardware and software includes $981 (2005 – $428) for software development and equipment includes $408 (2005 – $0) for development of lab equipment that has not been amortized during the period.

Note 6 Accounts Payable and Accrued Liabilities

	2006	2005
	(in thousands)	
Accounts payable – general	$ 2,475	$ 6,893
Manpower	12,088	11,951
Grants	66,423	238,303
Allowance for loan guarantees	2,604	2,604
Supplies and services and capital purchases	4,695	4,670
	$88,285	$264,421

Note 7 Contractual Obligations

	2006	2005
	(in thousands)	
Grants	$4,447	$3,035
Service contracts	3,719	2,068
	$8,166	$5,103

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Grants	Service Contracts
	(in thousands)	
2007	$2,460	$2,737
2008	1,031	592
2009	956	130
2010	–	130
2011	–	130
	$4,447	$3,719

Note 8 Contingent Liabilities

(in thousands)

At March 31, 2006, the Department is a defendant in five legal claims (2005 – four legal claims). These claims have specified amounts totalling $5,185 (2005 – $1,834). Included in the total legal claims is one claim amounting to $1,332 (2005 – one claim amounting to $1,332) in which the Department has been jointly named with other entities. Two claims amounting to $4,533 (2005 – one claim amounting to $1,332) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 9 Guarantees

	2006	2005	Expiry Date
	(in thousands)		
Feeder associations	$49,675	$48,820	Ongoing
Rural Utilities Act	183	370	Ongoing
Agricultural Societies Act	12	29	2015
	49,870	49,219	
Allowance for loan guarantees	(2,604)	(2,604)	
	$47,266	$46,615	

Note 9 Guarantees (continued)

Guarantee programs and their limits are established under the following Acts:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is $50 million)
- *Agricultural Societies Act* (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Note 10 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2006 trust funds under administration were as follows:

	2006	2005 (Restated)
	(in thousands)	
4-H General Trust	$ 51	$ 85
Wheat Board Monies Trust Fund	96	97
Claude Gallinger Memorial Trust Fund	23	24
	$170	$206

Note 11 Payments Under Agreement

(in thousands)

The Department has entered into agreements to deliver programs and services that are funded by the Government of Canada. Costs for the Canadian Food Safety and Quality Program are fully funded by the Government of Canada. Administration costs for the Alberta Mature Animal Transition Program and the Federal Cull Animal Program are 60% funded by the Government of Canada, and grants paid under Federal Cull Animal Program are 100% funded by the Government of Canada.

Costs for the 2005 Agriculture Ministers' Conference are partially funded by the Government of Canada, industry sponsors and conference attendees.

Costs incurred under these agreements are made by the Department under authority of the *Financial Administration Act*, Section 25. Accounts receivable includes $74 (2005 – $422) and accounts payable includes $41 (2005 – $1,364) relating to payments under agreement.

Amounts paid and payable under agreement with program sponsors are as follows:

	2006	2005
	(in thousands)	
2005 Agriculture Ministers' Conference	$ 70	$ –
Canadian Food Safety and Quality Program	84	–
Alberta Mature Animal Transition Program	4	422
Federal Cull Animal Program	7	30,916
	$165	$31,338

Note 12 Defined Benefit Plans

(in thousands)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $5,817 for the year ended March 31, 2006 (2005 – $5,042).

At December 31, 2005, the Management Employees Pension Plan reported a deficiency of $165,895 (2004 – $268,101) and the Public Service Pension Plan reported a deficiency of $187,704 (2004 – $450,068). At December 31, 2005, the Supplementary Retirement Plan for Public Service Managers had a surplus of $10,018 (2004 – $9,404).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2006, the Bargaining Unit Plan reported an actuarial deficiency of $8,699 (2005 – $11,817) and the Management, Opted Out and Excluded Plan an actuarial surplus of $8,309 (2005 – $3,208). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 13 Comparative Figures

Certain 2005 figures have been reclassified to conform to the 2006 presentation.

Note 14 Approval of the Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Revenues for the Year Ended March 31, 2006

Schedule 1
(in thousands)

	2006 Budget	2006 Actual	2005 Actual
Transfers from the Government of Canada			
Canada/Alberta BSE assistance	$34,010	$ 10,004	$ 62,057
Canadian farm income program	–	(19,188)	(2,802)
Irrigation infrastructure	1,967	1,967	8,933
BSE surveillance	4,000	5,061	3,670
Other	6,000	6,915	3,537
	45,977	4,759	75,395
Internal government transfers			
Transfers from the lottery fund	22,220	22,220	16,620
Other revenue			
Project contributions	3,130	3,541	2,805
Rail hopper car revenue	650	1,179	1,349
Green certificate and home study	880	368	321
Publications	225	233	221
Refunds of expenditures			
Previous years'	–	18,494	33,494
Other	–	(500)	6,999
Surplus sales	–	25	30
Miscellaneous	1,183	1,026	472
	6,068	24,366	45,691
Fees, permits and licenses			
Livestock water program	140	187	111
Food processing centre fees	600	686	725
Meat services	253	214	213
Aquaculture, sheep and diversified livestock	150	127	160
Dairy laboratory and analytical services	29	11	14
Other	254	129	90
	1,426	1,354	1,313
	$75,691	$ 52,699	$139,019

Department – continued

Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Dedicated Revenue Initiatives for the Year Ended March 31, 2006

Schedule 2
(in thousands)

	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall)/ Excess
Ministry support services	$ 225	$ 234	$ 9
Planning and competitiveness	1,776	1,144	(632)
Industry development	9,299	7,676	(1,623)
Sustainable agriculture	1,030	1,045	15
	$12,330	$10,099	$(2,231)[1]

Ministry Support Services dedicated revenue initiatives include fees for sale of publications.

Planning and Competitiveness dedicated revenue initiatives include fees for Rural Utilities ($120), Educational Services ($895) and Strategic Information Services ($129).

Industry Development dedicated revenue initiatives include: Food Processing Development Centre ($1,155), various Crop Diversification programs ($2,370), Business and Innovation ($2,533), Ag-Entrepreneurship ($543), Agri-Food Investment ($479), various Livestock Industry programs ($566) and Program Information Services ($30).

Sustainable Agriculture dedicated revenue initiatives include: Food Safety Initiatives ($309), Resource Management and Irrigation ($330) and various Technical Services Programs ($406).

The revenue and expense of each initiative's dedicated revenue and expense are reported in the Statement of Operations.

[1] Shortfall is deducted from the current year's authorized budget, as disclosed in Schedules 4 and 5 of the financial statements.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2006

Schedule 3
(In thousands)

	2006 Budget	2006 Actual	2005 Actual
Voted			
Salaries, wages and employee benefits	$ 79,723	$ 81,297	$ 76,858
Supplies and services	44,258	42,585	38,525
Grants	519,482	633,813	647,589
Financial transactions and other	72	87	228
Amortization of tangible capital assets	3,414	3,780	3,405
Total voted expenses	$646,949	$761,562	$766,605
Statutory			
Valuation adjustments			
Write-offs and losses	$ –	$ –	$ 2
Provision for loan guarantees	–	–	1,204
Provision for vaction pay	–	346	488
Provision for doubtful accounts	–	357	511
	$ –	$ 703	$ 2,205

Department – continued
Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Authorized Budget for the Year Ended March 31, 2006

Schedule 4
(in thousands)

	2005-2006 Estimates	Adjustment (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget
Revenues					
Transfers from the Government of Canada	$ 45,977	$ –	$ 45,977	$ 3,583	$ 49,560
Internal government transfers	22,220	–	22,220	–	22,220
Other revenue	6,094	–	6,094	903	6,997
Fees, permits and licenses	1,400	–	1,400	–	1,400
	75,691	–	75,691	4,486	80,177
Expenses – directly incurred					
Voted expenses					
Planning and competitiveness	219,931	–	219,931	876	220,807
Agriculture insurance and lending assistance	276,950	–	276,950	273,289	550,239
Sustainable agriculture	77,587		77,587	2,099	79,686
Industry development	53,928		53,928	15,734	69,662
Ministry support services	18,553	–	18,553	–	18,553
Dedicated revenue shortfall (Schedule 2)	–	(2,231)	(2,231)	–	(2,231)
	646,949	(2,231)	644,718	291,998	936,716
Net operating results	$(571,258)	$(2,231)	$(569,027)	$(287,512)	$(856,539)
Equipment/inventory purchases	$ 2,566	$ –	$ 2,566	$ 777	$ 3,343

(a) Adjustments include dedicated revenue shortfalls.

(b) Supplementary Estimates were approved on December 1, 2005. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act* (for net budgeted initiatives), which were approved on July 28, 2005 and March 20, 2006.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5

(in thousands)

Voted Expenses and Capital Investments		2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
1.0	Ministry support services							
1.0.1	Minister's office	$ 458	$ –	$ 458	$ –	$ 458	$ 435	$ 23
1.0.2	Deputy minister's office							
	– Operating expense	418	–	418	–	418	523	(105)
	– Capital investment	–	–	–	–	–	1	(1)
1.0.3	Farmers' advocate	684	–	684	–	684	780	(96)
1.0.4	Finance							
	– Operating expense	6,570	–	6,570	–	6,570	6,979	(409)
	– Capital investment	–	–	–	–	–	259	(259)
1.0.5	Internal audit	208	–	208	–	208	2	206
1.0.6	Information technology							
	– Operating expense	2,798	–	2,798	–	2,798	3,621	(823)
	– Capital investment	70	–	70	–	70	71	(1)
1.0.7	Agriculture information division							
	– Operating expense	3,123	–	3,123	–	3,123	3,532	(409)
	– Capital investment	–	–	–	–	–	7	(7)
1.0.8	Industry information network							
	– Operating expense	982	–	982	–	982	865	117
	– Capital investment	–	–	–	–	–	14	(14)
1.0.9	Knowledge management							
	– Operating expense	529	–	529	–	529	348	181
	– Capital investment	–	–	–	–	–	107	(107)
1.0.10	Communications	277	–	277	–	277	336	(59)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5 continued

Voted Expenses and Capital Investments		2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
1.0.11	Human resources							
	– Operating expense	2,236	–	2,236	–	2,236	2,359	(123)
	– Capital investment	–	–	–	–	–	11	(11)
1.0.12	Amortization of capital assets	270	–	270	–	270	110	160
	Total program	18,623	–	18,623	–	18,623	20,360	(1,737)
2.0	Planning and competitiveness							
2.1	Program support							
2.1.1	Assistant deputy minister							
	– Operating expense	287	–	287	–	287	360	(73)
	– Capital investment	–	–	–	–	–	1	(1)
2.1.2	Policy secretariat	3,491	–	3,491	–	3,491	3,387	104
2.1.3	Rural development initiative							
	– Operating expense	558	–	558	–	558	961	(403)
	– Capital investment	–	–	–	–	–	1	(1)
2.1.4	Alberta grain commission	478	–	478	–	478	490	(12)
2.1.5	Amortization of capital assets	1,464	–	1,464	–	1,464	1,457	7
	Total sub-program	6,278	–	6,278	–	6,278	6,657	(379)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5 continued

Voted Expenses and Capital Investments		2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
2.2	Economics and competitiveness							
2.2.1	Administrative support	422	–	422	–	422	342	80
2.2.2	Statistics and data development	1,014	–	1,014	–	1,014	1,019	(5)
2.2.3	Economics	1,259	–	1,259	–	1,259	1,179	80
2.2.4	Competitive intelligence	436	–	436	–	436	375	61
2.2.5	Strategic information services	927	–	927	120	1,047	1,080	(33)
2.2.6	Bilateral relations and strategic initiatives	381	–	381	–	381	395	(14)
	Total sub-program	4,439	–	4,439	120	4,559	4,390	169
2.3	Rural services							
2.3.1	Administrative support	272	–	272	–	272	128	144
2.3.2	Farm income support operations	3,156	–	3,156	–	3,156	1,932	1,224
2.3.3	4-H	1,264	–	1,264	–	1,264	1,449	(185)
2.3.4	Educational and community services	2,569	–	2,569	706	3,275	2,577	698
2.3.5	Agricultural service boards							
	– Operating expense funded by lotteries	10,600	–	10,600	–	10,600	10,582	18
2.3.6	Agriculture initiatives							
	- Operating expense funded by lotteries	11,620	–	11,620	–	11,620	11,591	29
2.3.7	Farm fuel distribution allowance	33,500	–	33,500	–	33,500	33,295	205
2.3.8	Farm water program	7,000	–	7,000	–	7,000	4,090	2,910
2.3.9	Farm income assistance program	–	–	–	–	–	65	(65)
2.3.10	BSE recovery	133,190	–	133,190	–	133,190	18,853	114,337
	Total sub-program	203,171	–	203,171	706	203,877	84,562	119,315

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5 continued

Voted Expenses and Capital Investments		2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
2.4	Rural utilities							
2.4.1	Administrative support	1,393	–	1,393	50	1,443	1,383	60
2.4.2	Rural electric – grants	850	–	850	–	850	510	340
2.4.3	Rural gas grants	3,050	–	3,050	–	3,050	2,066	984
2.4.4	Remote area heating allowance	750	–	750	–	750	921	(171)
	Total sub-program	6,043	–	6,043	50	6,093	4,880	1,213
	Total program	219,931	–	219,931	876	220,807	100,489	120,318
3.0	Industry development							
3.1	Program support							
3.1.1	Assistant deputy minister							
	– Operating expense	473	–	473	–	473	397	76
	– Capital investment	–	–	–	–	–	1	(1)
3.1.2	Marketing council	645	–	645	–	645	706	(61)
3.1.3	Amortization of capital assets	830	–	830	–	830	858	(28)
	Total sub-program	1,948	–	1,948	–	1,948	1,962	(14)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5 continued

Voted Expenses and Capital Investments		2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
3.2	Livestock industry development							
3.2.1	Administrative support							
	– Operating expense	263	–	263	–	263	302	(39)
	– Capital investment	–	–	–	–	–	7	(7)
3.2.2	Beef							
	– Operating expense	1,914	–	1,914	189	2,103	2,165	(62)
	– Capital investment	–	–	–	–	–	87	(87)
3.2.3	Pork, poultry and dairy	1,698	–	1,698	–	1,698	2,074	(376)
3.2.4	Forage and horse	1,295	–	1,295	–	1,295	1,144	151
3.2.5	Diversified livestock	2,151	–	2,151	–	2,151	1,870	281
	Total sub-program	7,321	–	7,321	189	7,510	7,649	(139)
3.3	Crop diversification							
3.3.1	Administrative support							
	– Operating expense	466	–	466	–	466	505	(39)
	– Capital investment	350	–	350	–	350	110	240
3.3.2	Crop diversification – north	3,556	–	3,556	15	3,571	3,704	(133)
3.3.3	Crop diversification – south							
	– Operating expense	3,092	–	3,092	–	3,092	3,162	(70)
	– Capital investment	–	–	–	–	–	9	(9)
3.3.4	Field crop development centre	3,106	–	3,106	81	3,187	3,236	(49)
	Total sub-program	10,570	–	10,570	96	10,666	10,726	(60)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5 continued

Voted Expenses and Capital Investments		2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
3.4	Processing development							
3.4.1	Administrative support	373	–	373	–	373	455	(82)
3.4.2	Processing – operations							
	– Operating expense	1,785	–	1,785	100	1,885	1,585	300
	– Capital investment	266	–	266	–	266	216	50
3.4.3	Processing – programs							
	– Operating expense	1,587	–	1,587	340	1,927	1,638	289
	– Capital investment	–	–	–	–	–	31	(31)
3.4.4	Agrivalue processing business incubator							
	– Operating expense	373	–	373	–	373	249	124
	– Capital investment	–	–	–	777	777	616	161
3.4.5	Centre for agri-industrial technology							
	– Operating expense	700	–	700	9	709	729	(20)
	– Capital investment	–	–	–	–	–	36	(36)
	Total sub-program	5,084	–	5,084	1,226	6,310	5,555	755
3.5	Agri-food investment							
3.5.1	Administrative support							
	– Operating expense	236	–	236	–	236	238	(2)
	– Capital investment	–	–	–	–	–	2	(2)
3.5.2	Processing investment	1,385	–	1,385	600	1,985	1,868	117
3.5.3	Production investment	587	–	587	–	587	382	205
3.5.4	Infrastructure assistance for municipal wastewater	5,000	–	5,000	5,000	10,000	2,759	7,241
3.5.5	Industrial and environmental infrastructure assistance for beef processing	–	–	–	5,000	5,000	4,682	318
	Total sub-program	7,208	–	7,208	10,600	17,808	9,931	7,877

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5 continued

Voted Expenses and Capital Investments		2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
3.6	Business and innovation							
3.6.1	Administrative support							
	– Operating expense	332	–	332	–	332	1,022	(690)
	– Capital investment	–	–	–	–	–	1	(1)
3.6.2	Business development	2,369	–	2,369	600	2,969	4,897	(1,928)
3.6.3	Business management innovations	3,078	–	3,078	–	3,078	2,822	256
3.6.4	Business agri-processing	2,625	–	2,625	3,350	5,975	7,790	(1,815)
3.6.5	Business commercialization	1,512	–	1,512	450	1,962	1,939	23
	Total sub-program	9,916	–	9,916	4,400	14,316	18,471	(4,155)
3.7	Ag-entrepreneurship							
3.7.1	Administrative support	1,863	–	1,863	–	1,863	3,797	(1,934)
3.7.2	Agri-preneur feasibility	783	–	783	–	783	830	(47)
3.7.3	Agri-preneur action team	2,423	–	2,423	–	2,423	2,246	177
3.7.4	Agri-preneur network development	796	–	796	–	796	881	(85)
	Total sub-program	5,865	–	5,865	–	5,865	7,754	(1,889)
3.8	Program information services							
3.8.1	Program information services							
	– Operating expense	6,632	–	6,632	–	6,632	3,940	2,692
	– Capital investment	–	–	–	–	–	16	(16)
	Total sub-program	6,632	–	6,632	–	6,632	3,956	2,676
3.9	Value added research and development							
3.9.1	IFASA	–	–	–	–	–	28,083	(28,083)
	Total sub-program	–	–	–	–	–	28,083	(28,083)
	Total program	54,544	–	54,544	16,511	71,055	94,087	(23,032)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5 continued

Voted Expenses and Capital Investments		2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
4.0	Sustainable agriculture							
4.1	Program support							
4.1.1	Assistant deputy minister							
	– Operating expense	269	–	269	–	269	199	70
	– Capital investment	–	–	–	–	–	1	(1)
4.1.2	Amortization of capital assets	850	–	850	–	850	1,355	(505)
	Total sub-program	1,119	–	1,119	–	1,119	1,555	(436)
4.2	Resource management and irrigation							
4.2.1	Administrative support	259	–	259	–	259	252	7
4.2.2	Environmentally sustainable agriculture	4,903	–	4,903	–	4,903	4,720	183
4.2.3	Conservation and development							
	– Operating expense	3,207	–	3,207	–	3,207	4,125	(918)
	– Capital investment	–	–	–	–	–	8	(8)
4.2.4	Irrigation							
	– Operating expense	4,982	–	4,982	–	4,982	4,932	50
	– Capital investment	200	–	200	–	200	288	(88)
4.2.5	Irrigation secretariat	305	–	305	–	305	328	(23)
4.2.6	Irrigation infrastructure assistance	22,000	–	22,000	–	22,000	22,000	–
	Total sub-program	35,856	–	35,856	–	35,856	36,653	(797)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5 continued

Voted Expenses and Capital Investments		2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
4.3	Food safety							
4.3.1	Administrative support	941	–	941	–	941	961	(20)
4.3.2	Agri-food systems							
	– Operating expense	5,204	–	5,204	–	5,204	4,378	826
	– Capital investment	–	–	–	–	–	384	(384)
4.3.3	Agri-food laboratories							
	– Operating expense	5,314	–	5,314	–	5,314	5,225	89
	– Capital investment	1,680	–	1,680	–	1,680	1,367	313
4.3.4	Regulatory services							
	– Operating expense	6,002	–	6,002	2,000	8,002	7,943	59
	– Capital investment	–	–	–	–	–	83	(83)
4.3.5	Chief provincial veterinarian	608	–	608	–	608	1,078	(470)
4.3.6	Surveillance support							
	– Operating expense	16,000	–	16,000	–	16,000	13,881	2,119
	– Capital investment	–	–	–	–	–	81	(81)
	Total sub-program	35,749	–	35,749	2,000	37,749	35,381	2,368
4.4	Technical services							
4.4.1	Administrative support	241	–	241	–	241	227	14
4.4.2	Agricultural engineering	3,648	–	3,648	37	3,685	3,774	(89)
4.4.3	Environmental practices and livestock welfare	2,854	–	2,854	62	2,916	3,170	(254)
	Total sub-program	6,743	–	6,743	99	6,842	7,171	(329)
	Total program	79,467	–	79,467	2,099	81,566	80,760	806

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2006

Schedule 5 continued

Voted Expenses and Capital Investments	2005-2006 Estimates	Adjustments (a)	2005-2006 Budget	Authorized Supplementary (b)	2005-2006 Authorized Budget	2005-2006 Actual Expenses (c)	Unexpended (Over Expended)
5.0 Agriculture insurance and lending assistance							
5.0.1 Lending assistance	7,936	–	7,936	–	7,936	7,927	9
5.0.2 Farm income disaster	–	–	–	–	–	(430)	430
5.0.3 Crop insurance	136,494	–	136,494	47,035	183,529	171,571	11,958
5.0.4 Wildlife damage	2,051	–	2,051	109	2,160	(614)	2,774
5.0.5 Canadian agricultural income stabilization	130,469	–	130,469	226,145	356,614	291,228	65,386
Total program	276,950	–	276,950	273,289	550,239	469,682	80,557
Dedicated revenue shortfall (Schedule 2)	–	(2,231)	(2,231)	–	(2,231)	–	(2,231)
	$649,515	$(2,231)	$647,284	$292,775	$940,059	$765,378	$174,681
Program operating expense	$624,729	$(2,231)	$622,498	$291,998	$914,496	$739,389	$175,107
Program operating expense funded by lotteries	22,220	–	22,220	–	22,220	22,173	47
	646,949	(2,231)	644,718	291,998	936,716	761,562	175,154
Program capital investment	2,566	–	2,566	777	3,343	3,816	(473)
	$649,515	$(2,231)	$647,284	$292,775	$940,059	$765,378	$174,681
Statutory Expenses							
Valuation adjustments	$ –	$ –	$ –	$ –	$ –	$ 703	$ (703)

(a) Adjustments include dedicated revenue shortfalls.

(b) Supplementary Estimates were approved on December 1, 2005. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

(c) Includes achievement bonus amounting to $1,960.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Salary and Benefits Disclosure for the Year Ended March 31, 2006

Schedule 6

	2006				2005
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Department					
Deputy Minister (4)	$185,797	$39,428	$37,067	$262,292	$228,459
Assistant Deputy Ministers					
Planning and Competitiveness (5)	166,082	48,376	38,222	252,680	208,158
Industry Development	145,720	27,264	34,393	207,377	181,203
Sustainable Agriculture	145,509	27,455	32,920	205,884	239,290
Rural Development (6)	84,899	17,687	21,055	123,641	–
Executive Directors					
Agriculture Corporate Services (7)	60,821	15,674	13,366	89,861	178,721
Information Division	120,992	23,065	28,429	172,486	152,727
Rural Development Initiatives (6)	110,204	20,122	23,607	153,933	34,671
Human Resources	113,144	16,167	27,674	156,985	6,032
Boards and Agencies					
Farmers' Advocate	121,327	16,370	4,962	142,659	66,962
General Manager, Agricultural Products Marketing Council	114,740	10,144	27,373	152,257	135,069

Prepared in accordance with Treasury Board Directive 05/2006.

Total salary and benefits relating to a position are disclosed.

(1) Base salary includes regular base pay.

(2) Other cash benefits include bonuses, vacation payouts, overtime and lump sum payments.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) The position was occupied by two individuals during the year.

(6) Position was created on September 12, 2006, and includes the responsibilities of the former Executive Director of Agriculture Corporate Services.

(7) Position responsibilites were encompassed within the Assistant Deputy Minister of Rural Development effective September 12, 2006.

(8) Position was a member of Executive Team until January 31, 2006.

Department – continued
Department of Agriculture, Food and Rural Development – Schedule of Related Party Transactions for the Year Ended March 31, 2006

Schedule 7
(In thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2006	2005	2006	2005 (Restated)
Revenues				
Grants	$ –	$ –	$22,220	$16,620
Fees and charges	–	–	–	–
Other	–	–	1,224	880
	$ –	$ –	$23,444	$17,500
Expenses – directly incurred				
Grants	$469,683	$318,629	$ 406	$ 249
Other services	159	–	7,123	7,222
	$469,842	$318,629	$ 7,529	$ 7,471
Tangible capital assets transferred from Innovation and Science	$ –	$ –	$ 7	$ 139
Payable to Agriculture Financial Services Corporation	7,994	50,756	–	–
	$ 7,994	$ 50,756	$ 7	$ 139

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2006	2005	2006	2005
Expenses – incurred by others	$ –	$ –	$13,327	$12,735
Accommodation	–	–	486	341
Legal	–	–	–	6
Other	$ –	$ –	$13,813	$13,082

Note: The Department receives services under contracts managed by the Ministry of Restructuring and Government Efficiency. Any commitments under these contracts are reported by the Ministry of Restructuring and Government Efficiency.

Department – continued
Department of Agriculture, Food and Rural Development – Schedule to Financial Statements
Allocated Costs for the Year Ended March 31, 2006

Schedule 8
(In thousands)

	2006						2005
		Expenses – Incurred by Others		Valuation Adjustments [4]			
Program	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses
Industry development	$ 19,889	$ 4,748	$118	$ 188	$(30)	$ 24,913	$142,911
Sustainable agriculture	44,188	4,584	147	198	237	49,354	50,869
Planning and competitiveness	56,548	2,452	111	$(126)	150	59,135	41,290
Infrastructure assistance	85,514	–	–	–	–	85,514	23,815
Ministry support services	29,441	1,543	110	86	–	31,180	19,404
Agriculture assistance							
Canadian agricultural income stabilization	291,228	–	–	–	–	291,228	202,323
BSE recovery	18,853	–	–	–	–	18,853	147,225
Insurance and lending	178,884	–	–	–	–	178,884	104,082
Farm fuel distribution allowance	33,295	–	–	–	–	33,295	32,637
Farm income assistance	(368)	–	–	–	–	(368)	12,408
Other assistance	4,090	–	–	–	–	4,090	4,920
	$761,562	$13,327	$486	$ 346	$357	$776,078	$781,884

(1) Expenses – Directly incurred as per the Statement of Operations, excluding valuation adjustments.

(2) Costs shown for Accommodation on Schedule 7, allocated by budgeted full-time equivalent employment.

(3) Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

(4) Valuation Adjustments as per Statement of Operations. Employee Benefits and Doubtful Accounts provisions included in Valuation Adjustments were allocated as follows:

- Vacation Pay – allocated to the program by employee.
- Doubtful Accounts Provision – estimated allocation to program.

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of the
Agriculture Financial Services Corporation

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 2006 and the statements of revenue, expense and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
May 12, 2006

Balance Sheet as at March 31, 2006

(in thousands)

	2006	2005
Assets		
Cash	$ 163,415	$ 75,456
Accounts receivable *(Note 4)*	137,103	120,904
Due from Province of Alberta	8,028	50,669
Due from Government of Canada	330,914	293,189
Loans receivable *(Note 5)*	973,084	977,460
Investments *(Note 6)*	238,459	171,229
Property and equipment *(Note 7)*	32,012	26,747
	$1,883,015	**$1,715,654**
Liabilities and Surplus		
Accounts payable and accrued liabilities	$ 25,371	$ 31,481
Estimated indemnities payable *(Note 8)*	456,883	449,849
Due to Crop Reinsurance Fund of Canada for Alberta	16,630	13,737
Allowance for losses on loan guarantees *(Note 14)*	824	1,186
Notes payable *(Note 9)*	897,059	910,653
Deferred revenue *(Note 10)*	23,867	21,935
	1,420,634	1,428,841
Surplus	462,381	286,813
	$1,883,015	**$1,715,654**

Contingencies and commitments *(Note 14)*

The accompanying notes and schedules are part of these financial statements.

Statement of Revenue, Expense and Surplus for the Year Ended March 31, 2006

(in thousands)

	2006 Budget (Note 3(a))	2006 Actual (Schedule 1)	2005 Actual
Revenue			
Premiums from insured persons	$157,121	$141,524	$135,941
Interest	79,185	68,636	71,242
Contribution from Province of Alberta	276,950	468,033	319,922
Contribution from Government of Canada	308,653	290,918	431,378
Investment income	6,809	14,228	10,022
Fees and other income	4,778	4,775	5,374
Reinsurance recoveries	–	10	2,163
	833,496	**988,124**	976,042
Expense			
Indemnities	657,803	638,984	720,436
Reinsurance	43,518	58,559	44,889
Administration *(Schedule 2)*	61,551	58,101	60,019
Interest	53,279	45,027	45,647
Adjusting	7,484	7,646	8,072
Farm loan incentives	5,791	4,883	5,077
(Recovery) provision for doubtful accounts and for losses *(Note 13)*	2,426	(2,877)	1,595
Selling commissions	2,470	2,233	2,027
	834,322	**812,556**	887,762
Surplus (deficit) for the year	**$ (826)**	**175,568**	88,280
Surplus at beginning of year		286,813	198,533
Surplus at end of year		**$462,381**	**$286,813**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2006

(in thousands)

	2006	2005
Operating Activities		
Surplus for the year	$175,568	$ 88,280
Changes not affecting cash	(1,755)	1,700
Changes in assets and liabilities relating to operations	(8,427)	3,208
Net cash provided by operating activities [1]	**165,386**	93,188
Investing Activities		
Proceeds from repayments of loans receivable and sale of properties	190,132	181,109
Loan disbursements	(184,190)	(171,973)
Purchase of investments	(680,013)	(523,780)
Proceeds on disposal of investments	614,452	454,501
Purchase of property and equipment	(11,171)	(9,494)
Proceeds on disposal of property and equipment	517	381
Net cash utilized by investing activities	**(70,273)**	(69,256)
Financing Activities		
Borrowing from the Province of Alberta	568,581	1,828,362
Repayment of borrowing from the Province of Alberta	(584,385)	(1,840,186)
Government of Canada funding for property and equipment	3,432	619
Province of Alberta funding for property and equipment	5,218	954
Net cash utilized by financing activities	**(7,154)**	(10,251)
Net increase in cash from operating, investing and financing activities	**87,959**	13,681
Cash at beginning of year	75,456	61,775
Cash at end of year	**$163,415**	$ 75,456

[1] Net cash provided by operating activities includes $43,184 (2005 $47,533) of interest paid.

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2006

(in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

The Corporation provides lending and insurance services and compensation programs. Its core programs and services include loans to beginning farmers, commercial lending, crop insurance, hail insurance and agricultural income stabilization payments. It also delivers other programs and services including loans to developing farmers, disaster loans, loan guarantees, and business counseling.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(a) Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by the Province of Alberta to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

(b) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(c) Property and Equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 - 40 years
Land improvements	25 years
Software development costs	2 - 10 years
Equipment and furniture	10 years
Vehicles	5 years
Computer equipment	5 years

(d) Notes Payable

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

(e) Fair Value of Financial Instruments

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Province of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities, Estimated indemnities payable and Due to Crop Reinsurance Fund of Canada for Alberta. Fair values of Loans receivable, Investments and Notes payable are disclosed in their respective notes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(f) Reinsurance

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the crop insurance surplus of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement (see Note 17).

Estimates of amounts recoverable from non-government reinsurers on premiums, indemnities and adjusting expenses are recorded in Accounts receivable. Reinsurance recoveries are not netted against indemnities, they are separately disclosed under revenue. Reinsurance expenses are not netted against premiums from insured persons or contributions from the Province and Government of Canada; they are separately disclosed under expenses.

(g) Loan Discounting

Loans made under the Alberta Disaster Assistance Loan Program, Alberta Farm Income Disaster Program, and amounts previously deferred under the Indexed Deferral Plan are discounted when they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(h) Revenue Recognition

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal and provincial government contributions, are recognized as income when invoiced to producers.

Federal and provincial contributions for property and equipment acquisitions are recorded as deferred revenue until that revenue is recognized on the same basis as those property and equipment costs are amortized.

Loan fees are recognized when received or at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

(i) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(j) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

The majority of the Corporation's loan portfolio is with beginning and developing business operations and hence, is subject to high risk. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages based on risks and applies them to loans receivable balances. Risk is based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

(k) Transactions with Related Parties

The Province and the Government of Canada significantly influence the programs delivered by the Corporation and are major contributors to the funding of the programs. Therefore, both governments are considered related parties. All related party transactions with the Province and the Government of Canada have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 16).

Note 3 Financial Structure

(a) Budget

The Board of Directors approved the Corporation's budget in August 2004. Contribution from the Province of Alberta of $276,950 was authorized by the Legislative Assembly and is reflected in the Corporation's budget approved by the Board. The budgeted contribution from the Province of Alberta was adjusted by $44 for deferred revenue.

(b) Crop Fund Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the crop insurance fund is restricted to being used for crop insurance purposes.

(c) Other Revenue and Expenses

The Other column in the Schedule of Revenue, Expense and Surplus includes the wildlife program, the Farm Income Disaster Program and consulting fees and expenses that are not attributable to any of the programs disclosed in the Schedule.

Note 4 Accounts Receivable

	2006	2005
Canadian agricultural income stabilization program		
Overpayments and advances	$123,076	$105,640
Administration fees	2,439	2,612
Premiums from insured persons		
Crop insurance program	9,917	12,432
Hail insurance program	351	265
Prepaid expenses	617	692
Other	2,085	392
	138,485	122,033
Less allowances for doubtful accounts (Note 13)	(1,382)	(1,129)
	$137,103	$120,904

Included in Canadian Agricultural Income Stabilization (CAIS) program overpayments and advances of $123,076 are $88,502 in estimated overpayments that are subject to measurement uncertainty. The amount could change substantially in the future if factors considered by management in establishing the estimate for the CAIS program overpayments were to change significantly. The estimate of $88,502 is for CAIS participants who received advance payments but who have not yet had their final claim processed by the Corporation. The estimate is based on historical experience.

CAIS overpayments are non-interest bearing until December 31, 2006. Participants will receive a rebate if they repay the CAIS overpayment within 90 days of the overpayment notification or they can convert the overpayment to an interest bearing loan up until December 31, 2006. If the overpayment is not repaid or converted to a loan, the Corporation will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Corporation as well as programs administered by the Province of Alberta and Government of Canada.

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2006				2005
	Recorded Investment	Specific Allowance	General Allowance	Net Carrying Value	Net Carrying Value
Farm lending	$815,661	$ (846)	$(25,419)	$789,396	$790,743
Commercial lending	173,742	(8,358)	(2,805)	162,579	165,556
	$989,403	$(9,204)	$(28,224)	951,975	956,299
Accrued interest				24,946	25,701
Accrued incentives				(2,279)	(2,451)
Loan discounts				(1,558)	(2,089)
				$973,084	$977,460

Impaired loans included in the preceding schedule:

	2006			2005
	Recorded Investment	Specific Allowance	Net Carrying Value	Net Carrying Value
Commercial lending	$19,852	$(8,358)	$11,494	$ 7,795
Farm lending	6,268	(846)	5,422	3,999
	$26,120	$(9,204)	$16,916	$11,794

The impaired loans balance includes property held for sale which has been acquired as a result of foreclosures, quit claims and other actions. There is a specific allowance of $2,688 (2005 $2,518) on property balances outstanding of $3,941 (2005 $3,691).

Loans receivable does not include prepaid balances $12,609 (2005 $12,668) which are included in Accounts payable and accrued liabilities.

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2006	2005 (Restated)
Alberta disaster assistance loan program	$40,239	$45,048
Alberta farm income disaster loans	21,939	27,628
Indexed deferral plan	668	809
	$62,846	$73,485

The prior year concessionary loans were restated because the amounts previously included an amount that did not have concessionary terms.

Loans receivable of $973,084 is subject to measurement uncertainty. The amount established for specific and general allowances of $37,428 to cover estimated losses on loans (see Note 2(j)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

The approximate fair value of loans receivable at March 31, 2006 is $981,203 (2005 $967,192). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Note 6 Investments

	2006	2005
Bonds and debentures		
Government of Canada, direct and guaranteed	$141,546	$124,308
Other provincial direct and guaranteed	15,742	14,293
	157,288	138,601
Corporate securities	78,520	31,075
	235,808	169,676
Accrued interest	2,651	1,553
	$238,459	$171,229

The fair value of investments at March 31, 2006 is $238,183 (2005 $173,697). Fair value is based on quoted market prices including accrued interest.

Note 7 Property and Equipment

	Cost	2006 Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
Software development costs	$34,448	$14,980	$19,468	$13,459
Building	9,341	1,873	7,468	7,577
Computer equipment	7,958	6,207	1,751	2,064
Equipment and furniture	4,325	2,242	2,083	2,483
Vehicles	1,401	940	461	494
Land and land improvements	799	18	781	670
	$58,272	$26,260	$32,012	$26,747

Software development costs include $7,126 (2005 $3,983) of costs incurred that are not amortized because they are still in the developmental or construction stage.

Note 8 Estimated Indemnities Payable

	2006	2005
Canadian agricultural income stabilization program	$449,222	$408,064
Crop insurance	6,654	28,761
Wildlife compensation	826	12,573
Hail insurance	181	451
	$456,883	$449,849

Estimated indemnities payable of $449,222 and corresponding contributions and receivables from the Province of Alberta and Government of Canada for the Canadian Agricultural Income Stabilization (CAIS) program are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

CAIS indemnities payable includes estimated payments for the 2005 claim years of $318,310 for the vast majority of claims that have not been received yet because the deadline for submission of complete information is after the end of the fiscal year. CAIS program payments are triggered when the participants claim year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2005 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2005 claim year is based on the number of farm operations participating in the program during the 2004 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2004 and 2005. If the 2005 estimated program margins were to increase by 5%, the estimated indemnities payable for the 2005 claim year would decrease by $12,000. If the 2005 program margins were to decrease by 5% the estimated indemnities payable for the 2005 claim year would increase by $14,000.

CAIS indemnities payable includes estimated payments of $46,010 for claims received but not processed for the 2003 and 2004 claim years. The estimates for the 2003 and 2004 claim years are based on the number of claims received but not yet processed and the estimated average payment per claim.

CAIS indemnities payable for the 2003, 2004 and 2005 claim years also includes estimated payments of $84,902. The estimate is for claims not yet processed that may receive an increased payment as a result of a change in the method used to determine support levels. The estimate is based on the historical payment ratio for claims processed.

Note 9 Notes Payable

Notes payable to the Province of Alberta are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2006	Effective Interest Rate	2005
Within 1 year	2.57% - 5.54%	$ 92,843	2.45% - 5.23%	$137,050
1 to 5 years	3.75% - 5.93%	263,492	2.57% - 5.54%	189,374
6 to 10 years	4.26% - 7.64%	192,358	4.28% - 7.64%	274,193
Over 10 years	4.43% - 6.52%	335,395	5.04% - 6.52%	298,898
Accrued interest		12,971		11,138
		$897,059		$910,653

Net unamortized discounts of $3,347 (2005 $3,724) are included in the balances disclosed.

Principal repayments due in each of the next five years are as follows:

Year ending March 31, 2007	$158,704
2008	$ 87,629
2009	$159,688
2010	$ 56,088
2011	$110,738

The approximate fair value at March 31, 2006 is $922,702 (2005 $950,615). Fair values for notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. They include the following:

(a) a liquidity premium to reflect that there is a limited pool of these securities for trading in the market, they would be new to the market and are not direct issues of the Province,

(b) a factor to reflect the blended payment structure of the notes.

Note 10 Deferred Revenue

	2006	2005
Government of Canada property and equipment	$ 8,634	5,221
Premiums from insured persons	7,730	$10,861
Province of Alberta property and equipment	7,503	5,853
	$23,867	$21,935

Note 11 Reinsurance

In addition to the protection provided by reinsurance arrangements between the provincial and federal governments, the Corporation has obtained reinsurance from non-government sources. For crop insurance, the Corporation reinsured a maximum of $113,652 of the risk from non-government sources. For hail insurance, the Corporation reinsured a maximum of $6,000 of the risk from non-government sources.

Note 12 Pensions

The Corporation participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $2,042 for the year ended March 31, 2006 (2005 $1,865).

At December 31, 2005, the Management Employees Pension Plan reported a deficiency of $165,895 (2004 $268,101) and the Public Service Pension Plan reported a deficiency of $187,704 (2004 $450,068). At December 31, 2005, the Supplementary Retirement Plan for Public Service Managers had a surplus of $10,018 (2004 $9,404).

Note 13 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 4)	Farm Lending Loans Receivable	Commercial Lending Loans Receivable	Loan Guarantees (Note 14)	Total
Allowances at March 31, 2004	$1,104	$31,128	$12,001	$1,263	$45,496
Provision for 2004-05	59	(2,308)	3,921	(77)	1,595
Write-offs in 2004-05, net of recoveries	(34)	(949)	(1,050)	–	(2,033)
Allowances at March 31, 2005	1,129	27,871	14,872	1,186	45,058
Provision for 2005-06	280	(1,111)	(1,684)	(362)	(2,877)
Write-offs in 2005-06, net of recoveries	(27)	(495)	(2,025)	–	(2,547)
Allowances at March 31, 2006	$1,382	$26,265	$11,163	$ 824	$39,634

Note 14 Contingencies and Commitments

	2006	2005
Loan guarantees	$29,939	$34,716
Less allowances for losses (Note 13)	(824)	(1,186)
	29,115	33,530
Legal actions	887	692
Total contingencies	$30,002	$34,222

Note 14 Contingencies and Commitments (continued)

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Corporation under the Alberta Farm Development Loans program. The loans outstanding at March 31, 2006 made by other financial institutions were $47,581 (2005 $52,788). Loan guarantees under the Alberta Farm Development Loans program include the maximum liability on loan guarantees of $18,964 (2005 $23,153) to which the Corporation is exposed under the terms of the agreements with the financial institutions subject to recoveries on underlying securities.

Legal actions represent amounts claimed or amounts claimed in excess of what was accrued. The outcome of the legal actions is not determinable at this time.

The Corporation has a contingent liability in respect of a claim concerning the methodology used to calculated pension benefit payments under Public Service Pension Plan. The claim has been filed jointly and severally against the Province of Alberta and the employers including those participating in the Public Service Pension Plan. The claim specified an amount of $1,250,000. The Corporation is one out of 587 entities included in the claim and the Corporation's share of liability is not determinable.

	2006	2005
Approved, undisbursed loans	$36,914	$42,861
Reinsurance	15,500	15,615
Estimated farm loan incentives	15,569	14,612
Operating leases	1,003	1,371
Building costs	–	217
Total commitments	$68,986	$74,676

The operating lease commitments are for accommodations with terms up to five years.

Note 15 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss.

The following table provides a breakdown of the loan receivables by sector. This analysis provides an indication of the concentration of credit risk on the loan portfolio. Significant information is provided throughout these statements to disclose other concentrations of credit risk.

	2006	2005
Loans receivable by sector		
Grain	$ 408,360	$ 410,817
Beef	324,530	320,280
Accomodation and food services	22,935	29,769
Trade – retail and wholesale	32,317	28,438
Hog	25,700	27,860
Manufacturing	29,060	24,713
Processors/feedmills	4,221	7,767
Other	163,389	170,559
	1,010,512	1,020,203
Allowance	(37,428)	(42,743)
	$ 973,084	$ 977,460

Note 15 Credit Risk and Interest Risk (continued)

(b) Interest Risk

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. The following provides a breakdown of the gaps between the notes payable and the loan portfolio. Because there are no early repayment penalties on most loan programs, the gap analysis includes an adjustment for expected repayments based on historical patterns.

	Term to Maturity [1]						
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Not Interest Rate Sensitive [2]	2006 Total	2005 Total
Farm loans	$ 71,212	$266,913	$235,956	$240,743	$ (4,492)	$810,332	$812,138
Yield [3]	6.85%	6.53%	6.63%	6.25%	–	6.59%	6.87%
Commercial loans	$ 56,561	$ 94,032	$ 12,345	$ –	$ (186)	$162,752	$165,322
Yield [3]	7.00%	7.11%	5.39%	–	–	6.94%	7.17%
Total	$127,773	$360,945	$248,301	$240,743	$ (4,678)	$973,084	$977,460
Yield [3]	6.87%	6.57%	6.61%	6.25%	–	6.61%	6.89%
Notes payable Province of Alberta	$158,704	$414,143	$222,144	$ 92,444	$ 9,624	$897,059	$910,653
Yield [3]	5.34%	5.35%	5.33%	5.20%	–	5.34%	5.50%
Net gap before prepayment adjustment	$(30,931)	$(53,198)	$ 26,157	$148,299	$(14,302)	$ 76,025	$ 66,807
Estimated prepayment	42,957	72,475	(23,375)	(92,057)	–	–	–
Net gap	$ 12,026	$ 19,277	$ 2,782	$ 56,242	$(14,302)	$ 76,025	$ 66,807

The gap positions represent the mismatching of the financing with the loan portfolio at March 31, 2006. The gaps provide an indication of the potential risks to the Corporation if interest rates change. At March 31, 2006 an immediate and sustained increase in interest rates of 1% would increase the net fair market value of loans and financing for the next fiscal year by $8,129 based on the net gap before prepayment adjustment. A corresponding decrease in interest rates would decrease the net fair market value of loans and financing by a similar amount over the same period.

This gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Note 15 Credit Risk and Interest Risk (continued)

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]					
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	2006 Total	2005 Total
Bonds and debentures	$22,487	$116,610	$10,153	$8,038	$157,288	$138,601
Yield [3]	3.70%	3.84%	4.65%	5.64%	3.96%	3.98%
Corporate securities	–	37,451	41,069	–	78,520	31,075
Yield [3]	–	4.46%	4.45%	–	4.46%	5.15%
	22,487	154,061	51,222	8,038	235,808	169,676
Accrued interest	180	1,435	936	100	2,651	1,553
	$22,667	$155,496	$52,158	$8,138	$238,459	$171,229

[1] For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal. For investments, term to maturity classifications are based on contractual maturity date of the security.

[2] Includes general provisions, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

[3] For notes payable and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For loans, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date or the rate which discounts future cash receipts to the carrying amount.

Note 16 Related Party Transactions

Sufficient information is provided throughout these statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2006	2005
Interest expense – Province of Alberta	$44,849	$45,057
Administration expense – Province of Alberta	1,586	1,864
Administration expense – Government of Canada	374	271

Note 17 Crop Reinsurance Funds

The contributions, withdrawals and accumulated deficit positions of the Crop Reinsurance Fund of Alberta and Crop Reinsurance Fund of Alberta for Canada are as follows (see Note 2(f)):

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2006	2005	2006	2005
Opening surplus (deficit)	$ 2,843	$(20,819)	$(29,828)	$(61,841)
Contributions	11,556	23,662	45,093	32,013
Closing surplus (deficit)	$14,399	$ 2,843	$ 15,265	$(29,828)

Note 18 Comparative Figures

The 2005 figures have been reclassified where necessary to conform to 2006 presentation.

Agency – continued
Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2006

Schedule 1
(in thousands)

	2006 Canadian Agricultural Income Stabilization	2005 Canadian Agricultural Income Stabilization	2006 Crop Insurance	2005 Crop Insurance	2006 Lending	2005 Lending
Revenue						
Premiums from insured persons	$ –	$ –	$116,968	$115,047	$ –	$ –
Interest	3	3	435	363	68,110	70,806
Contribution from Province of Alberta	288,900	202,160	171,628	86,928	8,210	8,146
Contribution from Government of Canada	195,710	293,483	95,818	115,307	–	–
Investment income	1,431	763	10,017	5,957	449	310
Fees and other income	2,008	2,608	47	62	1,929	2,192
Reinsurance recoveries	–	–	–	–	–	–
	488,052	499,017	394,913	323,664	78,698	81,454
Expense						
Indemnities	472,366	487,887	147,013	156,877	–	–
Reinsurance	–	–	58,011	44,469	–	–
Administration (Schedule 2)	15,686	11,130	18,454	20,670	22,218	25,719
Interest	–	–	39	–	44,849	45,057
Adjusting	–	–	6,447	7,206	–	–
Farm loan incentives	–	–	–	–	4,883	5,077
(Recovery) provision for doubtful accounts and for losses (Note 13)	–	–	262	30	(3,157)	1,557
Selling commissions	–	–	–	–	–	–
	488,052	499,017	230,226	229,252	68,793	77,410
Surplus (deficit) for the year	–	–	164,687	94,412	9,905	4,044
Surplus at beginning of year	–	–	184,976	90,564	61,638	57,594
Surplus at end of year	$ –	$ –	$349,663	$184,976	$71,543	$61,638

Agency – continued

Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2006

Schedule 1 – continued

(in thousands)

	2006 Hail Insurance	2005 Hail Insurance	2006 Other	2005 Other	2006 Total	2005 Total
Revenue						
Premiums from insured persons	$24,556	$ 20,894	$ –	$ –	$141,524	$135,941
Interest	77	57	11	13	68,636	71,242
Contribution from Province of Alberta	–	–	(705)	22,688	468,033	319,922
Contribution from Government of Canada	–	–	(610)	22,588	290,918	431,378
Investment income	2,331	2,992	–	–	14,228	10,022
Fees and other income	421	309	370	203	4,775	5,374
Reinsurance recoveries	10	2,163	–	–	10	2,163
	27,395	26,415	(934)	45,492	988,124	976,042
Expense						
Indemnities	21,722	32,281	(2,117)	43,391	638,984	720,436
Reinsurance	548	420	–	–	58,559	44,889
Administration (Schedule 2)	1,415	1,323	328	1,177	58,101	60,019
Interest	1	–	138	590	45,027	45,647
Adjusting	525	569	674	297	7,646	8,072
Farm loan incentives	–	–	–	–	4,883	5,077
(Recovery) provision for doubtful accounts and for losses (Note 13)	18	8	–	–	(2,877)	1,595
Selling commissions	2,233	2,027	–	–	2,233	2,027
	26,462	36,628	(977)	45,455	812,556	887,762
Surplus (deficit) for the year	933	(10,213)	43	37	175,568	88,280
Surplus at beginning of year	39,658	49,871	541	504	286,813	198,533
Surplus at end of year	$40,591	$ 39,658	$ 584	$ 541	$462,381	$286,813

Agency – continued

Agriculture Financial Services Corporation – Schedule of Administration Expense for the Year Ended March 31, 2006

Schedule 2

(in thousands)

	2006 Budget (Note 3(a))	2006 Actual	2005 Actual
Salaries and benefits (Note 12)	$38,019	$33,904	$37,581
Contracted services	7,881	8,765	7,210
Amortization of capital assets	4,700	5,301	4,501
Office accommodation costs	3,222	3,017	3,050
Stationery and supplies	941	1,418	1,645
Data processing	812	1,310	1,165
Travel and automobile	1,088	705	795
Advertising	1,210	699	902
Telecommunications	772	615	724
Postage and freight	604	481	554
Training, meetings, seminars, conferences	596	478	378
Professional services	611	443	613
Directors' fees and expenses	479	413	401
Equipment, rental and maintenance	472	412	360
Miscellaneous	144	140	140
	$61,551	$58,101	$60,019

Agency – continued

Agriculture Financial Services Corporation – Schedule of Salaries and Benefits for the Year Ended March 31, 2006

Schedule 3

(in thousands)

	2006				2005
	Base Salary [1]	Other Cash Benefits [2]	Other Non-cash Benefits [3]	Total	Total
Chairman of Board	$ 72	$ –	$ –	$ 72	$ 78
Board members [4]	233	–	–	233	233
President and Managing Director	189	56	36	281	184
Executive/Vice-Presidents					
Vice-President, Finance	149	23	32	204	184
Vice-President, Lending Operations	142	21	31	194	218
Vice-President, Risk Management [5]	143	33	31	207	49

(1) Base salaries are fees for Chair and Board members and base pay for employees.

(2) Other cash benefits include bonuses and lump sum payments.

(3) Other non-cash benefits include employer's share of all employee benefits, including health care, dental and vision care allowance, group life insurance benefits, pensions, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

(4) The amounts relate to eight Board members during 2005/06 (eight in 2004/05).

(5) This position was created effective January 1, 2005.

Summary of Financial Information

* Information on this page has not been audited *

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2006

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs	
Departmental accounts receivable	$ –
Agriculture Financial Services Corporation	2,547,438
Total remissions, compromises and write-offs	**$2,547,438**

The following statement has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2006

Program/Borrower	**Amount of Guarantee or Indemnity**	**Payments**	**Recoveries**
Agriculture Financial Services Corporation	$4,837,082	$767,189	$19,711
Total guarantees and indemnities given	**$4,837,082**	**$767,189**	**$19,711**

Alphabetical List of Government Entities' Financial Statements

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Access to the Future Fund[1]	Advanced Education
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Capital Finance Authority	Finance
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Heritage Foundation for Medical Research Endowment Fund	Finance
Alberta Heritage Savings Trust Fund	Finance
Alberta Heritage Scholarship Fund	Finance
Alberta Heritage Science and Engineering Research Endowment Fund	Finance
Alberta Historical Resources Foundation	Community Development
Alberta Insurance Council	Finance
Alberta Local Authorities Pension Plan Corporation[2]	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Finance
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Finance
Alberta Social Housing Corporation	Seniors and Community Supports
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Management Inc.	Finance
ATB Investment Services Inc.	Finance
ATB Services Inc.	Finance

[1] Established July 10, 2005.
[2] Incorporated December 15, 2005.

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Child and Family Services Authorities:	Children's Services
Calgary and Area Child and Family Services Authority	
Central Alberta Child and Family Services Authority	
East Central Alberta Child and Family Services Authority	
Edmonton and Area Child and Family Services Authority	
North Central Alberta Child and Family Services Authority	
Northeast Alberta Child and Family Services Authority	
Northwest Alberta Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Southwest Alberta Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Advanced Education	Advanced Education
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Education	Education
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Seniors and Community Supports	Seniors and Community Supports
Department of Solicitor General and Public Security	Solicitor General and Public Security
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Gainers Inc.	Finance
Government House Foundation	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Aboriginal Affairs and Northern Development[3]	Aboriginal Affairs and Northern Development
Ministry of Advanced Education	Advanced Education
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[3]	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environment[3]	Environment
Ministry of Executive Council[3]	Executive Council
Ministry of Finance	Finance
Ministry of Gaming	Gaming
Ministry of Government Services[3]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[3]	Human Resources and Employment
Ministry of Infrastructure and Transportation[3]	Infrastructure and Transportation
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[3]	International and Intergovernmental Relations
Ministry of Justice[3]	Justice
Ministry of Municipal Affairs[3]	Municipal Affairs
Ministry of Restructuring and Government Efficiency[3]	Restructuring and Government Efficiency
Ministry of Seniors and Community Supports	Seniors and Community Supports
Ministry of Solicitor General and Public Security	Solicitor General and Public Security
Ministry of Sustainable Resource Development	Sustainable Resource Development

[3] Ministry includes only the departments so separate departmental financial statements are not necessary.

Alphabetical List of Government Entities' Financial Statements – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards:	Seniors and Community Supports
Calgary Region Community Board	
Central Region Community Board	
Edmonton Region Community Board	
Northeast Region Community Board	
Northwest Region Community Board	
South Region Community Board	
Persons with Developmental Disabilities Provincial Board	Seniors and Community Supports
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Safety Codes Council	Municipal Affairs
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General and Public Security
Wild Rose Foundation	Community Development

Alphabetical List of Government Entities' Financial Statements – continued

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan – Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan – Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	Finance
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment

School, Universities, Colleges and Hospitals Included in the Consolidated Government Reporting Entityon a Modified Equity Basis[4]

School Boards and Schools	Ministry Annual Report
Almadina School Society	Education
Aspen View Regional Division No. 19	Education
Aurora School Ltd.	Education
Battle River Regional Division No. 31	Education
Black Gold Regional Division No. 18	Education
Boyle Street Education Centre	Education
Buffalo Trail Public Schools Regional Division No. 28	Education
Calgary Arts Academy Society	Education
Calgary Girls' School Society	Education
Calgary Roman Catholic Separate School District No. 1	Education
Calgary School District No. 19	Education
Calgary Science School Society	Education
Canadian Rockies Regional Division No. 12	Education
CAPE-Centre for Academic and Personal Excellence Institute	Education
Chinook's Edge School Division No. 73	Education
Christ the Redeemer Catholic Separate Regional Division No. 3	Education
Clearview School Division No. 71	Education
East Central Alberta Catholic Separate Schools Regional Division No. 16	Education
East Central Francophone Education Region No. 3	Education
Edmonton Catholic Separate School District No. 7	Education
Edmonton School District No. 7	Education

[4] The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants has issued standards that require controlled entities to be fully consolidated line-by-line. In a transitional period to March 31, 2008, the Ministry is permitted to use the modified equity method of accounting. Under the modified equity method, the controlled entities' net assets and operating results would be included in one line on the Ministry's consolidated statements of financial position and operations, respectively. The Ministry has not yet included the financial statements of these controlled entities. In the transitional period, the government will assess when and how to include these controlled entities in the Ministry's consolidated financial statements. The financial results of these controlled entities are included in the consolidated financial statements of the Province of Alberta for the year ended March 31, 2006 on a modified equity basis.

School Boards and Schools	Ministry Annual Report
Elk Island Catholic Separate Regional Division No. 41	Education
Elk Island Public Schools Regional Division No. 14	Education
Evergreen Catholic Separate Regional Division No. 2	Education
Foothills School Division No. 38	Education
Fort McMurray Roman Catholic Separate School District No. 32	Education
Fort McMurray School District No. 2833	Education
Fort Vermilion School Division No. 52	Education
Foundations for the Future Charter Academy Charter School Society	Education
Golden Hills School Division No. 75	Education
Grande Prairie Roman Catholic Separate School District No. 28	Education
Grande Prairie Public School District No. 2357	Education
Grande Yellowhead Regional Division No. 35	Education
Grasslands Regional Division No. 6	Education
Greater North Central Francophone Education Region No. 2	Education
Greater Southern Public Francophone Education Region No. 4	Education
Greater Southern Separate Catholic Francophone Education Region No. 4	Education
Greater St. Albert Catholic Regional Division No. 29	Education
High Prairie School Division No. 48	Education
Holy Family Catholic Regional Division No. 37	Education
Holy Spirit Roman Catholic Separate Regional Division No. 4	Education
Horizon School Division No. 67	Education
Lakeland Roman Catholic Separate School District No. 150	Education
Lethbridge School District No. 51	Education
Living Waters Catholic Regional Division No. 42	Education
Livingstone Range School Division No. 68	Education
Medicine Hat Catholic Separate Regional Division No. 20	Education

School Boards and Schools	Ministry Annual Report
Medicine Hat School District No. 76	Education
Moberly Hall School Society	Education
Mother Earth's Children's Charter School Society	Education
New Horizons Charter School Society	Education
Northern Gateway Regional Division No. 10	Education
Northern Lights School Division No. 69	Education
Northland School Division No. 61	Education
Northwest Francophone Education Region No. 1	Education
Palliser Regional Division No. 26	Education
Parkland School Division No. 70	Education
Peace River School Division No. 10	Education
Peace Wapiti School Division No. 76	Education
Pembina Hills Regional Division No. 7	Education
Prairie Land Regional Division No. 25	Education
Prairie Rose Regional Division No. 8	Education
Red Deer Catholic Regional Division No. 39	Education
Red Deer School District No. 104	Education
Rocky View School Division No. 41	Education
St. Albert Protestant Separate School District No. 6	Education
St. Paul Education Regional Division No. 1	Education
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38	Education
Sturgeon School Division No. 24	Education
Suzuki Charter School Society	Education
Westmount Charter School Society	Education
Westwind School Division No. 74	Education
Wetaskiwin Regional Division No. 11	Education
Wild Rose School Division No. 66	Education
Wolf Creek School Division No. 72	Education
Universities	
Athabasca University	Advanced Education
The University of Alberta	Advanced Education
The University of Calgary	Advanced Education
The University of Lethbridge	Advanced Education

Alphabetical List of Government Entities' Financial Statements – continued

School Boards and Schools	Ministry Annual Report
Colleges	
Alberta College of Art and Design	Advanced Education
Bow Valley College	Advanced Education
Grande Prairie Regional College	Advanced Education
Grant MacEwan College	Advanced Education
Keyano College	Advanced Education
Lakeland College	Advanced Education
Lethbridge Community College	Advanced Education
Medicine Hat College	Advanced Education
Mount Royal College	Advanced Education
NorQuest College	Advanced Education
Northern Lakes College	Advanced Education
Olds College	Advanced Education
Portage College	Advanced Education
Red Deer College	Advanced Education
Technical Institutes and The Banff Centre	
Northern Alberta Institute of Technology	Advanced Education
Southern Alberta Institute of Technology	Advanced Education
The Banff Centre for Continuing Education	Advanced Education
Regional Health Authorities and Other Health Institutions	
Alberta Cancer Board	Health and Wellness
Alberta Mental Health Board	Health and Wellness
Aspen Regional Health Authority	Health and Wellness
Calgary Health Region	Health and Wellness
Capital Health	Health and Wellness
Chinook Regional Health Authority	Health and Wellness
David Thompson Regional Health Authority	Health and Wellness
East Central Health	Health and Wellness
Northern Lights Regional Health Authority	Health and Wellness
Peace Country Health	Health and Wellness
Palliser Health Region	Health and Wellness